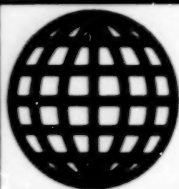


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Soviet Union

***WORLD ECONOMY &
INTERNATIONAL RELATIONS***

No 3, March 1988

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WORLD ECONOMICS & INTERNATIONAL RELATIONS

No 3, March 1989

English Summary of Major Articles

18160008a Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYE OTNOSHENIYA in Russian
No 3, Mar 89 pp 158-159

[Text] "Western Experience and Soviet Economic Reforms". Written by V. Kuznetsov, a prominent economist, this article gives an original and thorough analysis of some issues in the field of political economy which have a direct bearing on the proposed reforms of the Soviet economic mechanism. The author believes that many proposals aimed at readjusting the economy are based on pure speculative logical constructions and do not take into account the worldwide experience of intensive social production, particularly in the field of centralized planning, prices and price formation, inflation processes, market, etc.

While analyzing the present-day Western economies, the author indicates that they operate on the contract basis and are characterized by direct relations between the producers and consumers. This enables to safeguard the production processes against anarchy. The author also points out that direct links are established not only between the big companies but small and medium businesses as well, and contract relations are visible in the markets of mass consumer products. Hence the impossibility of overproduction of goods and services, while in the Soviet Union the reserves of commodities and material goods have reached 2.5 annual national incomes of the country. The author further investigates into the mechanism of centralized economic management and compares it with the Soviet pattern. Particular emphasis is laid on the analysis of the current price formation policies, both in the Soviet Union and Western economies. Here the author reviews the concept of market prices and their role in ensuring a smooth operation of the economies.

The author points out that any type of production is efficient and rational only until it generates goods needed by society. In this connection he analyzes the operation of rigidly planned economies, including Western economies during the war periods, and concludes that neither the current policies in the field of price formation nor many of the proposed schemes in this area meet the desired objectives of Soviet society.

The author gives a brief account of recent polemics in the Soviet press about possible price reforms, the main principles on which they should rest, inflation and other issues. His unorthodox approach to the above problems makes this article a must for all those interested in new economic developments in the Soviet Union.

"Monopoly, Oligopoly and Competition". This article written by S. Nikitin, L. Demidova and M. Stepanova

deals with the role of big companies in the economic life of the Western world. Here one must give an answer to the following questions: do these companies preserve their dominant position in the capitalist economy and to what extent this position can be seen in their actual control over the market?

Analyzing the economic developments in the capitalist world over the last 15-20 years, the authors take note of the overall tendency towards the centralization of capital, particularly in the face of economic difficulties of the 1970's and 1980's. They also point to certain changes which took place in the pattern of centralization—i.e., between horizontal and vertical integration, on the one hand, and diversification, on the other. In this connection the authors specifically analyze the behaviour of transnational corporations and the role of big companies as compared with small and medium-sized businesses.

An analysis of the market role of companies is extremely important from the point of view of political economy. Here, suggest the authors, one should refrain from declarations that concentration of production and capital automatically enhances the dominant market role of big companies. Investigating into the operation of the market economies, the authors trace the evolution of the market mechanism due to shifts in the balance of forces between regulation and competition. Numerous examples are given to illustrate the economic developments in the capitalist world at the beginning of this century up to World War II.

"Evolution of US approach to regional problems". Written by N. Spasov, a foremost expert on Soviet-American relations and regional conflicts, this article gives a detailed and logical analysis of the evolution of US approach to regional problems under President Reagan.

The author first looks into the roots of the problem and shows the initial stand of the administration on the problem. Passing to changes that took place in the American regional policies, the author suggests that one of the main causes was the turn from confrontation to a dialogue in Soviet-American relations due to *perestroika* and *glasnost* in Soviet society, which have entirely changed the quality of the Soviet Union's foreign policy and diplomacy. The United States came to realize that in many respects the old reliance on military force was counterproductive. Both political and academic communities showed greater awareness of global interdependence and an increasing role of nonmilitary factors in ensuring national security.

A new flexible and mobile regional policy of the Soviet Union and a more realistic approach of the United States towards regional problems have resulted in significant changes in their relations, markedly improving the Soviet-American dialogue with respect to regional problems. In this connection the author points to a number of tangible results achieved. At the same time he analyzes contradictions which still exist in this area between the

two countries and, relying on official declarations, attempts to forecast regional policies of the new administration. Naturally, the author does not claim to give a complete review of the problem; his efforts, however, have highlighted an important aspect of the current Soviet-American relations.

"Global Processes on the Threshold of the Millenium". This piece is the second one in a series which gives an account of the international dialogue on the main trends of the modern social development, which took place in Paris.

As it was already mentioned in the previous issue, the keynote paper generated a lively discussion that centered around possible technical and economic developments by the end of the century. Specific emphasis in the discussion was laid on analyzing the current economic crisis, its possible consequences, and a general study of crisis situations. In view of some of the participants (e.g., R. Borrelli) the current economic crisis has reached its second phase, therefore, it is important to forecast its possible consequences for mankind. One may assume, for instance, that it may lead to a drastic political division of the entire world. However, it is more logical to suggest that a way out will be found on the basis of structural reorganization of the world capitalist economy.

It was also pointed out that one of the main problems in the future will be the economic role of the third world. A number of questions arise in this connection: what will happen with the foreign debts of the developing countries? Will their exports threaten some developed nations? etc.

The discussion held manifested that there were different views concerning the above problems and their possible solution. Conflicting opinions, for instance, were voiced with respect to the situation in the third world and economic role of some countries—e.g., in Southeast Asia.

Much attention was also paid to a possible West-South cooperation and future North-South relations.

"International Communication in a Pluralistic World". The article by V. Igorev outlines a new approach to some established foreign policy concepts and theoretical tenets—e.g., a "free information flow", a "peaceful coexistence of cultures and ideologies", a "free exchange of ideas and people", "informational sovereignty", etc.

The author, for instance, suggests that one should reconsider the previously absolutely negative attitude towards the concept of a "free information flow", since administrative control leverages become inefficient and undesirable. Hence it is obvious that the seemingly attractive formula of "informational sovereignty of states" should be reconsidered, since there is only one alternative to freedom of information—i.e., stagnation in science,

economy and culture. Thus, the development of satellite television will tremendously expand the horizons of mankind. It is high time to recognize that the main threat to moral health of nations lies in artificial obstacles to free exchanges of ideas, information, cultural and spiritual values.

The monopolization of the domain of culture and information is fraught with great dangers, since it deprives person of the freedom of choice with respect to the source of information and leads to simplified presentation of the problems faced by the society. Hence comes the need for demonopolization of the cultural life of human society.

The above examples are only some of the problems which are at length discussed by the author, an expert on cultural exchanges, whose article marks a new approach to the acute problem of international communication in this running away world.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

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18160008b Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA in Russian No 3, Mar 88 p 153

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

Capitalist Market, Pricing Mechanisms Viewed
18160008c Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYE OTNOSHENIYA in Russian
No 3, Mar 88 pp 5-17

[Article by Viktor Ivanovich Kuznetsov, senior scientific associate of the USSR Academy of Sciences IMEMO: "Western Experience and Our Economic Reforms"]

[Text]

The tasks of a fundamental transformation of our economy put forward by the party are inseparably connected with the formation of a new economic mechanism permitting the solution of problems of the efficiency of production and its receptivity to S&T progress and capacity for manufacturing high-quality commodities meeting people's requirements and many others. However, a number of difficulties, many of which are embedded in the theory of political economy, where the burden of outmoded dogmatic ideas is still palpable as yet, have arisen in the course of discussion even of the contours of the future economic model. We hope that the material to be published under this heading will help clarify theoretical questions of the functioning of the economic mechanism and link the theory of political economy with practical management.

"...Practice shows that planned management which ignores the market criterion and market control is just as inferior as a market not controlled by a plan." (M.S. Gorbachev, PRAVDA, 16 November 1988).

I was prompted to address this subject by a concern which grew as I became acquainted with papers and proposals published in the general and scientific press on the ways and methods of implementation of radical economic reform in our country. The concern was caused by the fact that, I believe, our economic thought is now making at the new twist of the spiral a mistake which has been made once already: it is based, as before, in its specific proposals concerning the introduction of new forms of the organization and functioning of the economy on speculative logical constructs and is taking very insufficiently into consideration world historical experience of the successful formation and functioning of intensive social development. Underestimation of the economic institutions and structures tested by Western practice continues, despite the fact that Soviet economists have recognized, it would seem, that together with specific regularities there is a whole number of regularities of the development of production common to different formations.¹

Most unsatisfactory is the interpretation of such categories as the market, specifically, the correlation therein of a priori and post-factum methods of control; centralized planning; pricing and price, including inflation; producer monopoly.

The Market?

Production relations between the basic managing subjects of the modern developed capitalist economy—corporations, small and medium-sized business—lend

themselves to a description in market categories only with difficulty. When defining the most essential feature of this economy Western science increasingly employs the epithets "contract" or "organized," although continues to call it market also.²

As far as our publications are concerned, the "market" category in them is either not revealed or defined extremely vaguely and, what is most important—and this is the most disorienting aspect—in the form, as a rule, of a counterpoise to planned forms of regulation of the social economy. Given our standard economic education based on a more or less careful "study" of K. Marx's classical "Das Kapital," there invariably arises in people's minds at the mention of the word "market" an image of Nizhegorod Fair, to which in spring craftsmen who had been working all winter came from the whole district in the hope of finding a customer for their ready-made products. The cliché: since there is a market, there is also, consequently, its natural satellites—spontaneity and anarchy—is triggered just as instantaneously. But this is, understandably, a highly dubious recommendation for proposals concerning a transition to a market form of the organization of our economy. Hence the irritation in the public at large when it reads the passages of many of our respected 1960's economists; this, specifically, may explain the fact that in the practice of our radical reform approbatory pronouncements concerning the market and decentralization³ reside tranquilly next door to a virtual ban on direct relations between enterprises if they have not preliminarily been sanctioned by the central departments.

How are direct relations between enterprises organized in the Western economy and to what extent is the definition "market" applicable to them?

The main principle of the modern Western market is that a potential producer first finds a purchaser for his products, which he is in principle able and ready to manufacture, and only then, following the appropriate necessary preparation, embarks on production. This principle is the direct opposite of that of the archaic fair-market: first make, and then seek a customer. In practice each sale and purchase deal between corporations is anticipated now by the conclusion of a written or verbal contract of legal force. This means that the parties assume mutual commitments pertaining to fulfillment of the terms of the contract, and any violation thereof could entail legal sanctions.

The contract changes the state of affairs in the sphere of market relations radically and makes it a sphere of direct relations between producers and consumers. The risk of manufacturing and not selling practically disappears. Differences in the specifications of products brought onto the market and the customer's demands made of them are reduced to a minimum. Questions of quality, price, form and timescale of supplies, payments and so forth are agreed. The contract is essentially an order

fulfilled by a contractor. It makes it possible to draw up preliminary plans of production and its provision with raw material, equipment and manpower, in some cases, plans of S&T research and in all cases the enterprise's financial plans. The production process is taken practically wholly beyond the range of the forces of market spontaneity and anarchy. At enterprise level it becomes predictable, that is, plan-oriented.⁴

The reduced risk does not mean that all parameters of enterprises' economic activity are predictable. Market forces continue to operate in the form of the competition of the producers and/or consumers between themselves. Competition influences the level of price and quality on the one hand and the degree of production capacity load of individual enterprises on the other. The risk of what has been produced not selling is replaced by that of being left with underloaded capacity at a time when one's competitors are operating at full capacity.

The contract form of relations does not thus lessen the potential of economic compulsion which is primordially contained in competition. The latter, as before, forces the producers to upgrade production, seek new markets and new consumers and lower unit costs by all methods accessible to the employers. Together with a negative role—growth of unit expenditure—a positive role is performed by spare, reserve capacity. It may easily be incorporated in the production process at the first propitious change in economic conditions.

Of course, nor is the contract economy spared negative manifestations of the market economy: the possibility of the bankruptcy and/or closure of enterprises remains. Nonetheless, practice testifies that public losses in the contract economy combining elements of the plan and the market are fewer than in the purely market or purely planned economy.

Direct relations are established not only between major corporations. Small and medium-sized business is pulled into their network also. Subcontract relations between large and small companies have become a firm part of Western practice. Simple agreements on the supply of clearly determined products are supplemented by a variety of assistance on the part of the client: engineering, credit-financial and organizational. Dictated by big capital, these forms of relations are rapidly becoming standard for subcontractors.

However, relations of the contract type (we shall call them planned or organizational-market relations) are prevalent not only in the sphere of relations between enterprises. In the same or somewhat different form they exist on mass consumer product markets also.

The process of the transfer of purely market relations between enterprises and the customer at large to planned-market relations has progressed strongly in the 1970's-1980's thanks to the computerization and automation of production and the transition to flexible manufacturing

systems. The increase in the possibilities of computers has made it possible to process enormous amounts of information and to use it directly for controlling engineering and production processes. Thus the first qualitatively new "swallow" appeared in the motor industry. While continuing the production line-type organization of labor processes it switched partially to custom work: each vehicle is assembled and fitted on uniform transfer machinery variously in accordance with the individual specifications of its future owner. The number of possible options in regard to 20-40 types of finish or equipment, in respect of which the customer may express his preferences, amounts to many hundred. The vehicle already has a specific customer before it begins to exist even. His requirements are inputted in the production line's work program. People, robots and automatic machinery operate in accordance with this program. A hybrid inconceivable in the not-too-distant past is created: a standard mass product, each model of which is executed to an individual order. Of course, this type of customer service is the exception, it still having to establish itself and prove its economic validity on a larger scale.

Another path of the creation of quasi-market structures is associated with the improvement in forecasting. The expansion of the amount of information circulating in present-day Western society and the development of new technical and theoretical methods of its processing and rapid transmission are making it possible to compile relatively reliable forecasts of consumer demand for specific types of goods and services. Such a forecast, supplemented by a dependably operating feedback system between producer and vendor, serves as the foundation for the efficient planning of the production of individual consumer benefits. The risk of overproduction and a buildup of finished products in nonliquid stocks is reduced to a minimum given this form of the organization of production and marketing. Stocks of finished products of many months and, even more, many years standing have become a great rarity for the Western economy. It is long since the latter has known anything like what happens in our country, where stocks of commodity and material values amount to R1.5 trillion or 2.5 annual national incomes of the USSR.⁵ Work "with the wheels turning" has spread in capitalist countries not only in the sphere of inter-production relations but also to manufacturer-salesman relations. Selling costs have declined markedly.

There has appeared in recent publications of Soviet economists the term "self-organizing economy," which denotes approximately the same procedure of inter-firm relations which was described above under the title "contract economy". This has been done, true, in terms characterizing different states of the market sphere—monopoly, oligopoly, competition.⁶ This does not change matters since the principal idea—the possibility of the stable existence of a regulated quasi-market or quasi-planned system of production and sale based on the independent activity of economic subjects of the microlevel—is present in both approaches.

There is, however, in the "self-organizing" category an element of absolutization of the regulation of processes not typical of the actual Western economy. The latter, as an integral system, incorporates not only the "self-organizing" principle. There is necessarily therein another principle—the centralized regulation of economic and social processes, of the very self-organization process included. If the centralized regulation mechanism is not taken into consideration, the illusion that in our time highly developed economic systems may manage without constant observation and control on the part of the state could arise. There are not currently in the world of industrially developed capitalism such systems based on the mono-principle of precise self-organization or self-regulation.

Certain general considerations compel the thought that the absence of systems without centralized regulation (or with centralized regulation, but such as would organically and wholly grow only from the lower, economic, level, from the basis, and would not be "imposed" if only partially by the upper, extra-economic, superstructural stages of the social infrastructure) is not a chance fact and not testimony to the historical immaturity of the system of social production but a regular and natural fact.

People's production relations constitute the main, perhaps, but far from sole variety of their social relations and interests. Detachment of economic activity from the sum total of human actions is of undoubted analytical value and facilitates a scientific cognition of social realities. However, the absolutization of such an approach and the application only of economic methods of analysis are contrary to an empirical ascertainment of the fact that there is the closest, most inseparable relationship between all types of social relations—economic, social, political, cultural, personal and so forth.

All modern centralized institutions of economic regulation are by their origin of a political nature; all of them were in one way or another engendered and originally realized by the state.⁷ Contradictions and regular misfirings (crises) in the functioning of the economic sphere and its natural incapacity for complete "self-cognition" of itself and effectively overcoming its contradictions forced society to resort to "outside intervention" and to rectification by extra-economic methods of economic shortcomings. In addition, acting politically, man sets in economic motion more wide-ranging goals and motives than those primordially characteristic of this motion. The behavior motivation of economic subjects becomes increasingly complex and assumes a more comprehensive, more "human" nature than is characteristic of the abstract subject (*homo oeconomicus*). Thus has it always been, in all formations. The difference between the modern highly developed production systems and the historically earlier ones is, perhaps, merely the fact that instances of involuntary oppression and the undermining and destruction even of an economy for the sake of the achievement of political ends or the realization of

narrow-group social interests have become rarer. Western theory and practice of state compulsion and intervention have progressed as far as to understand and consider the need not to violate economic laws and not knock out from beneath society its principal support in the name of whatever political ends.

Centralized regulation is just as necessary a component of modern social production as the "contract economy". Only in organic interaction do they form a dependably and efficiently functioning organism.

It is important to emphasize that the dependability and efficiency of the social system of reproduction as a whole are secured by the precise division of functions between the centralized and self-organizing subsystems. As a rule, the center in the shape of the parliament, government, institutions of macroeconomic influence and/or the central bank very rarely intervene directly in decision-making by individual micro-subjects. When the need arises for influencing the state of affairs in the lower subsystem, that is, the evaluation by macro-criteria (state criteria) of the course of these affairs shows a deviation from the economically, socially or politically desirable direction, then the state authorities alter individual universal parameters of economic activity. It is these parameters which firm executives usually take into consideration when formulating their current or investment decisions.

Pertaining to the universal parameters are the extent and structure of credit and monetary support of the economy, rates of taxation of income or the value of the product sold, the extent and structure of state budget expenditure and rules of law regulating economic activity. While not infringing and not encouraging individual groups of micro-subjects, the universal nature of state measures nonetheless causes in the latter a varying economic reaction. The differences arise because the economic subjects differ among themselves in terms of production power, financial situation, degree of mutual dependence and so forth.

Let us take, for example, an increase in the cost of credit undertaken for the purpose of averting an "overheating" of the economy and halting the development of inflation. All other conditions being equal, the increase in loan interest leads to a reduction in effective demand for investment and consumer goods. At the same time, however, the universality or, which is the same thing, binding nature of this measure for all without restriction guarantees that the new terms of the granting of credit will compel a reconsideration of investments programs primarily by the firms whose estimation of future profits from capital investments is not that high. As far, however, as employers confident that their products will find a sales market even if it becomes more expensive (prices will have to rise to compensate for the increased financial costs) are concerned, they will pay no attention to the government measures. But this is precisely what the center is seeking. After all, only given such a diversified

reaction from "below" will be the achievement of the social (macroeconomic) goal—an end to the inflationary boom—not conflict with the need to continue implementation of long-term production projects necessary to society.

The basic principle of present-day Western centralized regulation is that by stimulating or holding back everyone without impeding and helping anyone individually extra stability and dynamism are imparted to the economic system as a whole.

The central regulation authorities not only keep an eye on and adjust the economic behavior of the micro-subjects. They may create for the latter artificial "rules of the economic game," which will prompt them to act in the direction which the center desires. Anti-trust legislation, for example, may slow down somewhat, bring to a halt or even turn back a tendency toward monopolization, stimulate competition and target corporations at a reduction in unit costs by way of technological renewal, a multiplication of innovations and so forth. Western theories of economic regulation regard the possibility of the creation of artificial market structures as a workable method of state policy.⁹

So the modern Western economy cannot be adequately described in either market or plan terms. It represents a centrally controlled system of the interaction of autonomous corporation-enterprises and enterprises with the status of private ownership among themselves and of all of them together with the political and economic upper level. While imparting stability to the reproduction process, this form of organization and self-organization does not deprive the system as a whole of the necessary flexibility of maneuver and does not prevent a display of initiative "locally" by individual economic formations.

The system of regulation of the Western economy may be portrayed by the following representation:

Our administrative economy is structured fundamentally differently:



Key: 1. Center. 2. Enterprises.



Key: 1. Center. 2. Supplier-Enterprise. 3. Client-Enterprise.

Having received a signal from the consumer of the end or intermediate product (enterprise or individual) and considering it, in accordance with its criteria, valid, the center (the Gosplan or the appropriate government authorities) gives the command to the executors, having preliminarily racked its brains over the problem of provision thereof with the necessary resources. According to the calculations of people in the know, the average length of time within which an order not provided for by the plan is fulfilled is reckoned to be 18 months-2 years. In practice this means that by the moment of supply the product is either not needed or fails to correspond to the client's changed requirements. Most enormous losses, which are hard to take in, arise thanks to this strict triangular pattern of decision-making. It is these which constitute the overwhelming share of all losses in our national economy.¹¹ What society gains additionally thanks to the increased technological productivity of equipment at the lathe operator level is squandered in the process of exchange between producers and final sale. Whence the plausibility of the estimates of some of our economists showing that in certain years the entire Soviet economy has worked not for final consumption but for an increase in working capital and stocks of finished and semi-manufactured products.¹²

Nonetheless, a change in the principles of the exchange and sale of products—this central problem of our economy—is still in the field only of peripheral vision. Furthermore, it is viewed by the Gosnab, which is preparing the reform, chiefly through the prism of wholesale trade understood both as direct relations proper between enterprises and the development of a network of economically independent wholesale middlemen-enterprises. The administrative centralized approach to the determination of which products it is better to allocate directly, and which, via middlemen, does not guarantee that the optimum correlation between contract and commercial methods of sale will be found. Rather the emphasis on trade threatens en route to grow into a cumbersome intermediate stratum of economically

autonomous wholesale and semi-wholesale offices which will essentially feed parasitically on production. Yet in the Western economy wholesale middlemen service only a small part of commodity turnover. Only one-third of the industrial product is realized via wholesale trade in the direct meaning of this word in the United States, for example.¹³ The nature of the direct relations permitted between enterprises will also be of fundamental significance for us. As the first steps in this direction have shown, the supplies which are imposed directly by the Gosplan at prices fixed from above will also, it seems, be considered wholesale trade. This procedure has nothing in common with contract practice, where, first, what is sold primarily is not the product but the obligation to produce it and, second, all the terms of the contract, including quantity, quality and so forth, are agreed directly and only by the two contracting parties.

Given a comparatively high level of the concentration and centralization of production (the number of industrial enterprises in our country is less than 47,000¹⁴), the creation of a dependable system of direct relations between all enterprises¹⁵ would accomplish the task of their comparison of sure plans of production and supply within several weeks and would spare the Gosplan this thankless job once for all.

Incidentally, the problem of transition to a contract-market plan of the exchange of goods and services is not confined to such an aspect thereof as the dependable exchange of information. It turns on a key feature of the practice of implementation of our economic reform—the reluctance or fear of a change in the current pricing procedure.

Price

Whether it be simply a market or an organized market, without market price it cannot exist. It may be controlled from a center, regulated, temporarily frozen or increased, but to realize all the said and many other manipulations it must preliminarily arise as the result of the encounter-confrontation of supply and demand and the contracting parties' free desire clearly expressed at this moment. In short, any price is obliged to begin its subsequent existence in all its possible metamorphoses (average, monopoly, administrated, fixed and so forth) as a market price.

Is this necessary? Should the proposition that has been expounded be formulated so strictly and uncompromisingly? We live with planned prices determined once for all!¹⁶ Badly maybe, but we live.

We do, of course. Trying not to notice that the absence of commodity production and a market worthy of the name has deprived our country of an equivalent exchange mechanism based on the law of value. That this has inflicted on our economy and society almost irreparable damage in the form of far-advanced disproportions between production and consumption, savings and

investments, the material and nonmaterial spheres, effective demand and actual provision therefor and such. So far advanced that it is not known how to approach their rectification without the danger of causing the collapse of the economy or social anger.

In order to understand the importance of the market price we need to have a clear idea of its economic function.

In a living, real economy, in which the interests of all producers of goods and services and all consumers disposing of earned income mutually conflict and complement one another unimpeded, in such an economy there is a nonstop change in all its parameters: productivity and the structure of unit costs, income and demand. The task of the market price is as far as possible to instantly catch these changes and convert them into quantitative values, that is, measure them by way of determination of the proportions of the exchange of the commodity for a monetary equivalent. A sound market price fluctuates constantly, thereby groping its way toward the true value proportions between the expenditure of individual (isolated) labor and social need. Distrain market prices from fluctuating or, in general, deprive the act of buying and selling of its essential content—the confrontation of the interests of producer and consumer—and the myriad small changes occurring on the side of supply and on the side of demand will begin to accumulate and struggle for an outlet, creating conditions for the emergence of a "black market," profiteering, fraud, embezzlement and a shortage in some places and nondisposable items in others, in short, the familiar conditions of an unbalanced economy.

What other authority, what other instance, aside from the market, could cope with the task of the timely and full consideration of all these innumerable movements, without which people's economic activity is inconceivable, and their incorporation with the aid of prices within the bounds of the dynamic balance of the economic system as a whole? Were such an authority to be created, it would number on its staff at least as many employees as economic subjects operate in the economic arena. An odd situation would arise here: in order to endow the bureaucratic personnel with the right to determine equiponderant prices it would be necessary to deprive the producers and consumers of their characteristic economic functions, leaving them merely the right and duty of working and the right and duty of consuming.

Only the joint participation of all producers and all consumers in acts of the mutual exchange of the products of their labor for the monetary equivalent of those same products in the form of earned income can accomplish the task of maintenance of the plan-oriented and proportional development of social reproduction. Such participation presupposes the existence of a market mechanism.

For a long time our economic science proceeded from the postulate that the worst directive plan was better than the best market. Within the framework of this postulate directly determined "constant" prices were considered not only a natural attribute of the planned economy but also a great achievement of socialism. Yet the initial postulate was never subjected either to a strictly logical or impartial empirical check for absolute validity.

The postulate was based on at least two widespread propositions. The first was the logical conclusion drawn on the basis of observation of the process of development of the social nature of labor, in the course of which scattered and routine processes of production are converted into socially combined and scientifically directed processes. In other words, it was a question of the replacement in a relatively high phase of the development of machine production of commodity relations by strict relations, determined by technology, between workmen performing various types of labor.¹⁷ Given the sufficiently far-advanced socialization of production and given converted private property into public or state property, an opportunity is created in principle for calculating a priori the extent and structure of social production and production in natura without recourse to the subsequent verification by market methods of the social validity of the correlations obtained. V.I. Lenin also wrote about the organization of social production in accordance with the single large-scale enterprise principle.¹⁸

History on the one hand confirmed the truth of this proposition in the course of world wars I and II and, on the other, radically adjusted it in the course of the normal development of a highly intensive economy in the postwar period. Market mechanisms have, it transpires, undergone the most considerable transformation, but have, as a whole, preserved their role of regulator of the proportions of social production. In addition, even when the level of concentration of capital and its power over production which had been attained afforded every reason for transition to directive planning in vast spheres of the economy (within the framework of large-scale diversified corporations, for example), even in this case employers, under the pressure of the laws of the efficient organization and management of large systems, created within the economic formations under their jurisdiction artificial conditions of rivalry-competition between individual components, endowing the latter with economic independence and the right to adopt enterprising decisions.

As far as the experience of the wartime economy is concerned, it served for Russian Marxists and Soviet economists as a second powerful argument in favor of the introduction of directive planning and the abandonment of market levers of regulation. The war showed that "monopoly capitalism switches to state-monopoly capitalism and that the social regulation of production and

distribution, owing to the pressure of circumstances, is introduced in a number of countries...."¹⁹

All this really was the case, and WWII confirmed the trend which had come to light for the first time in 1914-1918. But the conclusion which was drawn concerning the universal significance of the processes which had emerged lost sight of two facts: the brevity of the periods of wars and the catastrophic impoverishment of the list of end-use items produced.

Neither WWI nor WWII exceeded the bounds of 4 years. For this reason the really rigid carcass of directive management and centralized planning and regulation which emerged following the imposition of martial law and the concentration of total power in the hands of the central executive authorities²⁰ effectively "worked" for too short a time for the confident recommendation of the extension of this experience to a longer historical period.

In postwar Soviet literature the transition from the nonmarket economy of wartime to the postwar market economy has always been interpreted as a self-understood effect of the historical immaturity of the capitalist formation, within whose framework social production is controlled by private owners of the means of production supporting the market and its anarchic freedom from all restrictions. No one has ascended to an analysis of this transition from the angle of the increase in the efficiency and rationality of social production achieved as a result of decentralization. The very formulation of the question thus scared people by its "obvious anti-Marxism" and the contradiction of the settled beliefs of the majority.

Yet even a cursory glance at the particular features of the wartime economy, both ours and the capitalist economy, testifies that the efficiency of immediate directive methods of central management and planning was always inseparable from a reduction in the number of articles produced. The state authorities controlled all components of end demand: weapons and everything necessary for the army and the extent and structure of consumption of the civilian population (the rationing system). It distributed resources in short supply, and they all, from raw material and equipment through manpower and S&T research, rapidly became critical as soon as the war or accelerated preparation for it began. The diet was reduced to several base products, clothing, to military or military-model outfitting, housing, to that which was available, medical services, to surgery and anti-epidemic measures, and so forth. The wartime economy meant social reproduction simplified to the maximum, an economy of survival and poverty.

It was on the utmost simplicity, on the practical possibility of surveying from above all social relations, on the conscious refusal, for the sake of the survival of just some social structures even, to consider the reverse reaction of the executants and those under wardship (violence and the unquestioning discipline of wartime), in short, on the reduction of the self-developing and

self-organizing civilian society to a barracks that the notorious efficiency of the centralized planning of the war years rested. A necessary feature of the wartime economy were prices fixed once for all. The law of value practically ceased to operate, making its latent existence known only via the "black market" and hidden profiteering.

Any production is efficient and rational only as long as its gives vent to socially necessary products. Social need may be determined only by the free sale of products. "The market... performs the function of spontaneous registration of commodity producers' socially necessary labor input."²¹ Free exchange between autonomous managing subjects is a central feature of a nominally functioning economic system. Its absence sooner or later deprives social production of such properties as rationality, efficiency and progressiveness in the technological meaning of this word and, ultimately, progressiveness in its social understanding.

All that has been said about free exchange should not be interpreted as a call for a pure or consummate market.

In actual Western life prices are not, of course, determined at the time of each individual deal. The argument and persuasion of the vendor and purchaser concerning the price of a commodity has become a comparative rarity. The majority of commodities are sold at posted (sticker) or list prices; many at legislatively fixed and regularly, but comparatively infrequently, revised prices. This practice is convenient and does not give rise to objections on the part of the customers. At the same time, however, inasmuch as the vendor maintains the right to revise his price at any moment, sticker and list prices do not prevent a flexible response to the constantly changing conditions of supply and demand. They perform quite reliably the economic function entrusted to them as representatives of the market price.

As already emphasized, political institutions may, if they wish, impose their own operating rules. Ranked alongside the other parameters, which each managing subject takes into consideration at the time of decision-making, these rules influence the configuration of a contract of sale: the extent of supply, the value of demand and the price level. State ends are thereby achieved without the direct intervention of the center in the exchange process. The form of the market and the number of enterprises operating therein is not of fundamental significance here. Whether it be free, oligopolistic and, given certain circumstances, monopolistic even, the mere fact of the confrontation of interests of the contracting parties belonging to two great camps of the economy—production and consumption—has the sought-for effect.

Of course, deviations of price from value are inevitable. Only via the constant deviation from value, Marx observed, may price realize the law of value.²² The deviations may be transitory, stable and long imprinted even on the price structure—in any event, the infinite

recurrence of acts of exchange and the participation therein of all managing subjects guarantee the really social nature of the evaluation²³ better than any surrogate proposed by plenipotentiary authorities.

In our administrated economy the tendency to substitute for the functional the statistical approach emerged early. In the case of pricing this was expressed in the fact that average sectoral costs were made the basis of calculation of the price level. The fundamental differences of the process of the development of real market prices of commodities into sectoral-average prices from operations of the calculation of the sectoral-average price on paper by way of a summation of all sectoral costs were rejected as immaterial here. The latter, increased more or less arbitrarily by a certain percentage, are called production prices, although the principal condition of the formation of the production price—intra-sectoral competition—is lacking. In this calculation of prices vital economic activity is represented by only one of its sides—the production side. The fact that production becomes meaningful only following recognition of its product by all members of society is ignored. And if this condition is not observed, there is no guarantee against conversion of the production process into a pointless waste of people's energy and material values.

The statistical method of dealing with economic values contains a constant threat. The press is writing a great deal currently about the reform, which is being prepared in the depths of the Committee for Prices. And what is being written does not inspire optimism. The content of the reform was formulated most distinctly in discussion at a LITERATURNAYA GAZETA roundtable by I. Gorbachev, deputy chairman of the USSR State Committee for Prices. Noting that "our present-day prices have lost the function of estimation of real value and have changed from the planned-measuring into a registration-distribution category," he adduced two, in his opinion, essential differences of the retail price reform in preparation from preceding ones: 1) its implementation in a complex with wholesale and purchase price reform and 2) the intention of the State Committee for Prices to make the price system "an objective gauge of the results of economic activity consistently reflecting in prices socially necessary labor expenditure on the manufacture and sale of products and their consumer properties and quality and effective demand and to construct them in accordance with the requirements of objective economic laws."²⁴

That quoted evokes profound concern. What we have here is undoubtedly a claim to truly divine omniscience, omnipotence and total license. What in the Western economy, which has proven its effectiveness in matters of pricing, is done automatically via market trade and direct relations between enterprises the State Committee for Prices intends accomplishing by the powers of several thousand specialists. There, hundreds of millions of people annually concluding billions of deals, controlling comparatively dependably thereby the economic validity

of prices. Here, a handful of technocrats laying claim to the accomplishment of tasks which are in principle unaccomplishable by bureaucratic methods: measurement of the socially necessary input of labor and products' consumer properties and their quality. All this is a typical instance of an attempt at the reform of a living social organism in accordance with another speculative plan. Making this reform successful is impossible. For this the center simply lacks the necessary information and capacity to process it. And the initiators of the radical reform were distinctly aware of this. After all, the very understanding of the need for such was born precisely of the ascertainment of the center's increasing powerlessness in the face of the growing avalanche of information engendered by the present-day development of the economy.

The position adopted by the State Committee for Prices will with dispiriting inevitability lead the country along the same path by which it has moved thus far—that of the maximum simplification of economic relations. And, primarily, the simplification and standardization of the structure of consumption.

So "we agree on the main thing," as A. Levikov concluded his article "Price and the Market," "an economy which ignores the law of value is incapable of offering its citizens a choice of goods at suitable prices. It guarantees merely one abundance—of shortage."²³ It is urgently necessary that we constantly address actual historical experience, setting aside for the time being the concoction of new speculative plans, however fine they appear to their authors and clients.

However, I am at this point emphatically interrupted by V. Stepanchenko, deputy chairman of the USSR State Committee for Prices. He sets forth the principles of the elaboration of a new price system based on sectoral standard production costs, promises "to broaden enterprise rights in the pricing sphere and to democratize this process and, less this lead to price rises," intends using three levers: a common pricing procedure, uniform economic norms applicable at the time of the elaboration of prices and increased control of price discipline locally. To the observation of O. Latsis, "dumbfounded," according to him, by the proposition concerning the three levers and the desirability of account of being taken of "world economic practice," came the emphatic response: "I declare with all due responsibility that I simply see no other ways of countering an increase in prices."²⁴

I have quoted the above not to argue or refute. It speaks for itself. What is important is something else. Above the KOMMUNIST roundtable, as above many other discussion tables, there invisibly hovered the key word of our entire debate concerning the principles of pricing reform: the growth of the general price level, inflation. The majority of theorists and practical workers of reform aspire to bar admittance of this evil to our country's territory and, if unsuccessful, to reduce its destructive

effect to a minimum and rapidly neutralize it. They are prepared for the sake of this to sacrifice the core and meaning of the entire radical reform of our economy: the development of the market and the creation of a system of direct relations.

As you know, inflation is a characteristic feature of the modern capitalist economy. How does the West get along with it, contriving here to preserve high efficiency and to accelerate the intensification of production? Are there not in the inflation phenomena, some aspects to which our economic science usually pays no attention? This question merits special and, as far as possible, unhurried investigation.

Footnotes

1. The textbook for VUZ's "Political Economy," which was published by Politizdat at the end of 1988, devotes the first section to the general laws of economic development.

2. A recent French economics primer recommended for students who are about to enroll in economic higher educational institutions defines the term "market" as "a meeting of supply and demand organized for a given type of economic benefit."

3. "...Normal economic circulation cannot be restored by a detour of the socialist market or in circumvention thereof," A. Yakovlev writes (PRAVDA, 17 December 1988).

4. (S. Otsu), professor of economics at Kyoto University, invited to the IZVESTIYA editorial offices, said: "...There is in Japan practically no such phenomenon as last-minute rush work and idling on account of the disrepair of machinery and equipment or lack of raw material" (IZVESTIYA, 11 January 1989).

5. The figure was adduced in A. Yakovlev's speech at the Perm Oblast party conference (ZVEZDA, 17 December 1988).

6. See, for example, Ye.S. Popov, "Monopoly and Competition: Evolution of the Economic Mechanism of Capitalist Society" (RK I SM No 1, 1988; No 1, 1989).

7. I believe that the central bank also under the conditions of modern credit-monetary systems is an institution with a large admixture of political content.

8. A natural incapacity inasmuch as in general form it is correct to assert that no object can be described (defined) exhaustively if it remains "inside" it and avails itself only of internal coordinates of measurement. This ensues from the theorems of the incompleteness of formal systems or Hegel's theorems concerning the impossibility of proving the contradictoriness of a formal system by means of the system itself (see "Philosophical Encyclopedia," vol 1, Moscow, 1960, p 338). In

respect of cybernetic systems this effect was formulated in St. Bir's "Cybernetics and Production Control," Moscow, 1963. See also N.Ya. Petrakov, "Cybernetic Problems of Control of the Economy," Moscow, 1974, pp 44-52 (I am grateful to Candidate of Economic Sciences Y. Pappe for help in selecting the references—V.K.).

9. C. de Boissieu, "Principes de politique économique," Paris, 1978, p 88.

10. This figure was given by V. Kabaidze, director of the Ivanovo Machine Tool-Building Association, in his report in the IMEMO, explaining the mechanism of coordination of applications for the manufacture of new products with the ministry and the Gosplan. The said figure does not contradict the average timescale required for "printing" and confirming enterprise 5-year plans.

11. An idea of the scale of total losses is provided by the figure of R240 billion (40 percent of national income) cited by Yu. Brovko at a roundtable conducted by LITERATURNAYA GAZETA (see 9 November 1988, p 10).

12. "In certain years the national income increments have not even covered the growth of material stocks" (V. Selyunin, SOTSIALISTICHESKAYA INDUSTRIYA, 5 January 1988).

13. S. Komlev, "U.S. Domestic Trade: Organizational and Structural Changes," Moscow, 1987, p 13.

14. "The USSR National Economy in 1987," Moscow, 1988, p 81.

15. If desired, such a connection may be established very quickly. The French program for development of the system of "minitels" (console, monitor, printer and telephone) interlinked by a central processor has in the fewer than 10 years of its implementation encompassed approximately 3 million subscribers. By the time the program is completed, their number will have risen to 5 million. The "minitel" makes it possible not only to search for and disseminate information and enter into direct contact with a partner but also draw up all documentation in written form, exchange it, make payments and so forth.

16. Prices, of course, change and are revised. But on each occasion this is done against the wishes, as it were, of the central economic authorities, under the pressure of insuperable objective circumstances, which, moreover, have the bad habit of not abiding by subjective orders from the top.

17. See, for example, K. Marx and F. Engels, "Collected Works," vol 23, pp 642, 397, 431, 497, 641 and elsewhere.

18. "The entire national economy organized like the mail...—this is our immediate goal" (V.I. Lenin, "Complete Works," vol 33, p 50). Lenin's idea was always specifically historical. It is not surprising, therefore, that

the changed conditions of social development in 1918-1920 led to his concept of a new economic policy based on the principle of use of the planned-market mechanism of regulation of the economy. This, however, did not prevent in Stalin's and subsequent times absolutization of Lenin's early propositions, of the war communism period.

19. V.I. Lenin, "Complete Works," vol 31, p 449.

20. The planned nature of the 1939-1945 wartime economy is examined in the example of France in, specifically, my book "Mechanism of State-Monopoly Regulation of the French Economy," Moscow, 1979.

21. "Economic Encyclopedia. Political Economy," vol 3, Moscow, 1979, p 524.

22. See K. Marx and F. Engels, "Collected Works," vol 25, pt I, pp 189-218.

23. Ibid., p 194.

24. LITERATURNAYA GAZETA, 9 November 1988, p 10.

25. Ibid., 14 December 1988, p 10.

26. KOMMUNIST No 18, 1987, p 29.

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Changing U.S. Approach to Regional Conflicts Under Reagan

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[Article by Nikolay Nikolayevich Spasov, candidate of historical sciences and expert on Soviet-American relations and regional conflicts: "Evolution of the U.S. Approach to Regional Problems"]

[Text] This article does not claim to make an all-embracing analysis of the evolution of U.S. regional policy in the current decade. The main attention is paid therein to a study of the changes in the U.S. approach to interaction with the USSR for the purpose of the settlement of regional conflicts.

On how fully we know so complex and contradictory a phenomenon as the regional policy of our main partner-opponent, how adequately we understand its driving forces, how precise is our idea of the behavior motives of the United States in regional affairs and, accordingly, to

what extent we are capable of forecasting its subsequent steps—on all this there depends to a large extent the efficiency of our own policy in the "third world" from the viewpoint of its correspondence to the actual interests of the national security of the Soviet state and the interests of a restructuring of international relations.

In the Beginning Was...

In recent years relations between the USSR and the United States have undergone qualitative changes down the line, in the regional frequency included. In order to more correctly evaluate the scale and limits of the changes which have occurred it is worth remembering the program pertaining to regional problems with which the Republicans took office in 1981.

The strategic principle of the Reagan administration in the regional sphere consisted not only of the "containment" but also "rolling back" of processes of national and social liberation in Latin America, the Near and Middle East and Asia and Africa. It was essentially a question of a cardinal change by power methods in favor of a generally apportioned capitalist system in the "third world". The need for such an adjustment was explained by the fact that in the 1970's, in the detente period, the Soviet Union had by its behavior allegedly broken the "rules of the game".

A. Haig, former secretary of state in the initial phase of the Reagan presidency, describes thus the mood of the administration in regional matters at that time: "Soviet diplomacy is based on tests of will. Since Vietnam the United States has, for the most part, failed these tests. As assiduous researchers of the tactics and vulnerabilities of the West, the Russians have been launching trial balloons—initially in Angola, then in Ethiopia, finally, in El Salvador—to test the strength of the West's resolve. Discovering that either no one is holding the other end of the rope or holding it loosely, they prepare to sever it. Such unstable situations lead to defeat and retreat. The time has come to close this gap and hold on to the rope."¹ This was essentially a caricature of the actual state of affairs in a black and white and two-dimensional portrayal. However, starting from this deformed vision, Washington intended constructing its policy in the real—complex and multi-dimensional—world.

The figures who at this stage occupied the key positions in the administration cleaved exclusively to an idealized view of regional conflicts, regarding them through the prism of ideas concerning the global confrontation between the United States and the USSR, the "free world" and "communism" and "good" and "evil". The function of a principal instrument of regional policy was assigned the United States' political and material support for "anticommunist resistance movements," that is, groupings conducting an armed struggle against governments whose ideological orientation and external relations were not to Washington's liking.

In accordance with the long-standing American tradition prescribing the linkage of political innovations with the president's name, the regional policy of the Republican administration came to be called the "Reagan Doctrine". But it became considerably more widely known as the "doctrine of neoglobalism"—after the American commentator A. Lewis, who was the first to so christen it.²

Roots of the Changes

Gradually, however, doubts began to grow in U.S. leading circles as to the effectiveness of the policy which had been adopted. U.S. regional policy is being rethought in the context of an overall reassessment of values in American foreign policy, primarily in relations with the Soviet Union, which, albeit in contradictory manner and not without misfirings and temporary returns to the former lines of confrontation, has nonetheless progressively been under way in the United States as of the Reagan presidency's second term.

This article does not deal with the restructuring of the regional component of the Soviet Union's foreign policy on the principles of the new thinking. This is the subject of an important independent discussion.³ It has, however, to be mentioned that a central factor which made for the change from confrontation to dialogue in Soviet-American relations in the regional sphere were the processes of perestroika and glasnost in Soviet society and the new quality of Soviet foreign policy and diplomacy.

Having as a partner-opponent on the regional stage not the Soviet Union of the image of the era of stagnation but a mobile, dynamic state not only successfully adapting to the deep-lying global metamorphoses but also, in turn, acting as a catalyst for the development of positive processes in international life, the United States simply could not have allowed itself to operate in the old way. The establishment began to recognize that the former, chiefly (if not exclusively) military-power approach to the solution of problems of the "third world" under the new conditions is counterproductive.

Further, pragmatically oriented political and academic circles of the United States, which have gradually increased their influence on the shaping of the country's foreign policy line, could not have failed to have recognized the trends, emerging increasingly clearly, toward an increase in global interdependence pulling the United States into its orbit increasingly strongly and toward an agumentation of the role of nonmilitary factors of safeguarding national security. The new features in international life have far from always been marked with a "plus" here, it is true, but certain conclusions have been drawn from them nonetheless. The American political leadership concluded that in the version characteristic of the first years of the Reagan administration its regional policy would to a growing extent not fit the general dynamics of global processes.

The opinion has matured in Washington that in the changed situation the pursuit in the "third world" of strategic goals which remain, basically unchanged insistently demands a decisive renewal of tactical methods and greater reliance on political means, levers and mechanisms. In the "military power-diplomacy" dualistic system of instruments of American foreign policy the center of gravity has palpably shifted toward negotiations.

Finally, the steady economic growth on the new technological basis which coincided with the Reagan presidency also worked for a relative devaluation of military potential as an ingredient of national strength. The economic factor of pressure, which at the present time is being interpreted in considerably more diversified manner than earlier, is gaining in importance in exchange. Such a powerful channel of influence as the information channel is moving to the fore.

The attitude of ordinary Americans toward the idea of Soviet-American interaction in support of regional settlement is gradually changing. Thus in March 1981 some 73 percent of persons polled by the Harris service sympathized with the following proposition: "By sending military assistance to countries threatened by communism and being tough with the Russians, Reagan is restoring respect for the United States in the Kremlin". In the summer of 1988, however, according to a poll conducted within the framework of the "Americans Talk About Security" program, 72 percent of those polled supported as an area of cooperation between the USSR and the United States "joint work for a settlement of the conflicts in the Near East and other regional trouble spots."⁴

To highlight what is most important, the changes in the political mentality of the U.S. ruling class in respect of regional problems was connected with two fundamental conclusions which were arrived at, albeit with reservations, in American corridors of power in the latter half of the 1980's (the far-right marginal wing of American policy is not considered here, of course). Strictly speaking, such a frame of mind had appeared back in the 1960's also and at the time of Nixon was a significant vector of U.S. foreign policy; however, it proved to have been firmly forgotten in the years of the first term of the Reagan presidency. Broadly speaking, as far as the United States is concerned, the revival and affirmation of these views made possible the recovery in Soviet-American relations. The essence thereof amounted to an understanding of the fact that, first, America is not omnipotent and that its possibilities are not unlimited and, second, that superarmament is not identical to absolute security.

These conceptual premises afforded prospects for constructive Soviet-American dialogue on regional topics inasmuch as they contained in embryo both recognition of the limited nature of unilateral actions (and, correspondingly, more pronounced emphasis on multilateral

efforts) and a certain reallocation of roles between the military and political components of foreign policy in favor of the latter. Former secretaries of state in Republican and Democratic administrations H. Kissinger and C. Vance acknowledge in their program article "Two-Party Aims for American Foreign Policy": "...Despite the tremendous military power, our capacity for shaping the world unilaterally is to an increasing extent limited."⁵

The increased recognition by U.S. leading circles of the need for a change in the Soviet-American regional equation was reflected in the President's report to Congress of 14 March 1988 entitled "Freedom, Regional Security and Global Peace". The report represented a comprehensive exposition of U.S. policy on regional issues. Together with the clichéd propositions typical of "early" Reaganism it contained relatively sober ones also. Specifically, the following highly important statement is contained therein: "A foreign policy which failed to spot the dangers which international conflicts represent and which did not work to bring them to a peaceful solution would be irresponsible—particularly in the age of nuclear weapons."⁶ An understanding of the fact that the majority of regional conflicts ensues from local causes once again blazed a trail for itself in the report.

It has to be stipulated, true, that the changes in U.S. policy which have been noted have been of a half-baked, incomplete nature.

'Realistic Dialogue'

So thanks to the reciprocal, although not equivalent, headway on both sides—the new enterprise and mobility of the regional policy of the USSR and the increase in elements of realism in the U.S. approach—there have been appreciable changes in the last 4 years nearly in the two countries' relations in the regional sphere. The question of the regulation of Soviet-American rivalry from a regional angle and the imparting thereto of exclusively peaceful, civilized forms not deforming relations between the two states and not infringing the interests of third countries has switched to a practical footing.

The very nature of the Soviet-American dialogue on regional problems has changed appreciably. Whereas previously a polemic constructed around frontal, largely rhetorical, charges was predominant therein, we may now speak of practical, substantive discussion in a constructive key and an unbiased comparison of positions for the ascertainment, consolidation and expansion of fields of agreement and zones of concurrent interests and specific study of the possibilities of the joint or parallel actions of the USSR and the United States for promoting a political settlement of regional conflicts. The joint statement of the Soviet-American top-level meeting in Washington of 10 December 1987 noted "the growing significance attached to the settlement of regional conflicts for reducing international tension and

improving East-West relations" and pointed out that "the purpose of the dialogue between the USSR and the United States on these issues should be to assist the parties to regional conflicts find peaceful solutions contributing to their independence, freedom and security."⁷

Soviet-American interaction in the interests of regional settlement, which a few years ago seemed inconceivable, has already produced the first meaningful results. Documents pertaining to a settlement of the external aspects of the Afghan problem, guarantors of which were the USSR and the United States, were signed on 14 April 1988 in Geneva. The subsequent course of events, however, has shown that Washington and Islamabad saw the Geneva agreements not as a compromise interlinked set of the parties' interests and commitments but merely as the USSR's commitment to withdraw its forces from Afghanistan. For this reason a dangerous imbalance fraught with the risk of a breakdown of the settlement mechanism has arisen in realization of the agreements also.

There was a whole series of changes in the direction of a settlement of conflict situations in the Persian Gulf, Southern Africa and Southeast Asia in the latter half of 1988 not least thanks to Soviet-American interaction. It was possible to set in motion UN Security Council Resolution 598 pertaining to a settlement of the Iran-Iraq conflict: combat operations on the Iran-Iraq front were halted, and a negotiating mechanism was started up. A settlement in Southwest Africa, including the granting of Namibia independence and guarantees of Angol's security, has been transferred to the practical phase thanks to four-party negotiations with the participation of Angola, Cuba, South Africa and the United States, with which the USSR was associated as an unofficial observer. The prospects of a swift unblocking of the situation around Cambodia has acquired visible outline. Certain process stock in the form of emerging elements of a common platform has been created for an all-embracing settlement of the Near East problem based on a balance of the interests of all parties concerned.

One notes, it is true, the fact that the Central America region is disappearing to some extent from the prevailing picture. The processes of a political settlement and dialogue unfolding there in local soil are coming into conflict with Washington's policy, which is based on force and in which relapses into the thinking accustomed to operating in spheres of influence categories are, as before, clearly felt.

The stimulation of bilateral dialogue has become a manifestation and at the same time lever of transformation of Soviet-American mutual relations in the regional sphere. Regional problems have been raised at meetings of the leaders of the two countries and thoroughly discussed in the course of periodic—but in separate, most responsible periods of time—monthly negotiations between the USSR foreign minister and the U.S. secretary of state. For a detailed discussion of regional issues

purposive use has been made of such a mechanism as working groups created within the framework of top- and high-level negotiations.

Exchanges of opinions at expert level on specific regional problems have been put on a regular footing. These include the situation around Afghanistan; a Near East settlement and the Iran-Iraq conflict; the situation in Southern Africa; the situation in connection with a Cambodia settlement; the situation on the Korean peninsula and other questions of the Asia-Pacific region; the situation in Central America. These consultations have been held yearly, and in 1988, what is more, when particular intensity was attached to the Soviet-American dialogue, they were held twice a year on a number of regional problems. There have been several rounds of exchanges of opinion at deputy foreign minister level on a broad range of regional problems. Consultations have begun on the question of the nonproliferation of missile technology.

An indicator of the intrinsic stability of the Soviet-American dialogue on regional topics and its certain immunity from the influences of a situational nature is the fact that this dialogue has continued—not only in terms of form but essence also, what is more—despite the presidential election campaign in the United States.

The fact that the first steps are being taken in the plane of the integration of the Soviet-American dialogue on regional matters in broader international discussions within the framework of the UN system would seem significant and promising. The institutionalization of such a mechanism as meetings of the foreign ministers of the five permanent members of the Security Council with the UN secretary general on questions of regional settlement is acquiring an outline. Whereas the first such meeting, in September 1987, was devoted to the business of halting the Iran-Iraq war, at the second, in September 1988, the ministers and the UN secretary general exchanged opinions on a broad range of basic international issues, and particular emphasis was put, what is more, on efforts to resolve regional conflicts.

These steps fit the concept of the formation under UN aegis of a mechanism of the wide-ranging international monitoring of compliance with agreements on a lowering of international tension and arms limitation and the military situation in areas of conflict, which was advanced for the first time in M.S. Gorbachev's article "Reality and Guarantees of a Secure World" published on 17 September 1987 and subsequently developed in the Soviet leader's UN speech on 7 December 1988. It has to be mentioned both the article and the speech were received in the United States with great interest and have been the subject of lively discussion in broad political and academic circles. This situation is in striking contrast with the relatively recent past, when our initiatives frequently encountered a relatively insipid reaction in the West, and mainly from the left flank of the political spectrum at that. By way of illustration it is worth

quoting if only one statement. J. Chase, an executive of a most influential U.S. foundation—the Carnegie Foundation for International Peace—writes: "The most important indication, possibly, of the Soviet 'new thinking' in relation to the third world was Gorbachev's article of 17 September 1987...."⁸

One notes also the change in Washington officials' attitude toward the United Nations: for a whole number of years the leitmotiv therein were frankly negativist notes. Testimony to a certain reorientation of American policy toward the United Nations, specifically, toward the evaluation of its role and possibilities in the settlement of regional conflicts, was R. Reagan's speech at the UN General Assembly 43d Session on 26 September 1988.

Limits of the Possible

However, the positive points which have been listed are not the whole picture. Together with substantial improvements the regional sphere of the mutual relations of the USSR and the United States is, as before, imbued with a number of major contradictions.

We cannot yet speak of the irreversibility of the changes for the better which have occurred in the recent period. Just as, on the whole, the United States' present policy in relations with the Soviet Union and its regional policy remains basically dual. This duality is manifested in the fact that two components of a differing nature and barely compatible are present in the regional priorities of the right-of-center, pragmatic circles of the American establishment, which, to judge by everything, will under the G. Bush administration also play a dominating part in the shaping of the U.S. foreign policy course. These are support for anti-government, counterrevolutionary groupings in an armed struggle with progressive regimes in a number of "third world" countries. And at the same time, on the other hand, a readiness for negotiations and even, albeit within a very narrow framework, interaction with the USSR.

We may quote as an example of this duality G. Shulz's statement at the Henry Jackson School of International Studies in Seattle in February 1988. "In regional matters," he said, "we cannot proceed from the fact that the Soviet Union has abandoned its traditional propensity for issuing political prescriptions and casting a military shadow in other regions of the world. The United States must thus be prepared to support those who wish to fight for their freedom and self-determination. If, however, the Soviet Union conceives a desire to rethink past positions, we will assist in efforts to achieve peace and national reconciliation in regions which are now in the grip of conflict."⁹

The Republican Party's election platform also contained quite particular pointers on this score. It declared: "The Republicans proudly confirm the Reagan doctrine: America's obligation to assist those fighting for freedom

and against communist oppression, which destroys freedom and the human spirit."¹⁰ Whence it follows that whatever negative emotions we may experience in connection with American support for "freedom fighters," this is obviously a reality which has to be confronted (the combination of elements of realism and a confrontational and destructive approach typical of the United States' current regional policy is manifested most graphically, perhaps, in its approach to the Afghan settlement).

G. Bush's election speech in Chicago on 2 August 1988 is of interest as a reflection of the transitional state of the United States' current regional policy. Speaking of his program for the 1990's, Bush said that a most important component thereof "is a strategy aimed at helping extinguish regional outbursts." He continued: "We can and must work with other nations to settle these conflicts. Nonetheless, in the last resort we have no alternative, we must assume leadership in the search for negotiated solutions.... We will integrate all available and opportune instruments of policy in a multifaceted approach. This will mean the use of negotiations, intelligence, economic strength and assistance, public diplomacy and, yes, military power."¹¹ We see here a set of elements of quite varied levels. They include the very high level assigned the settlement of regional conflicts on the scale of the United States' national priorities; a readiness to cooperate to this end with other countries; relapses into messianic aspirations; emphasis of the economic component of foreign policy; and the routine topic of the importance of military power. Despite this variegation, one is struck—and one sees here also a sign of the times—by the fact that negotiations as an instrument of policy are given pride of place.

A principal reason for this ambivalence is evidently the fact that considerable numbers of the American ruling class see, as before, as the United States' strategic interest in the "third world" primarily the expulsion thence of the Soviet Union, although this expulsion is now conceived of to a considerably lesser extent than before in categories of military-power pressure. There is also in Washington the opinion that at the current stage the United States may rather hope to supplant the Soviet Union in the "third world" under the conditions of a settlement of regional conflicts and crises and a general lowering of tension than in an atmosphere of strict military-political confrontation with it at the regional level.

Moreover, to stand on the ground of reality, it should be noted that for many representatives of the American leadership recognition of the need for adjustments to be made to U.S. regional policy by no means signifies recognition of the mistaken nature of the "Reagan doctrine". On the contrary, the opinion that Reagan's "from a position of strength" policy has done its job, thanks to which now, they say, relatively less emphasis on military power and relatively more on dialogue is possible, has become widespread.

For this reason even the recent positive changes toward a normalization of the situation in a number of conflict areas are explained in U.S. ruling circles, as a rule, not by "war fatigue" and the growth of the self-dynamics of a settlement on local soil, not a stimulation of the peacemaking function of the United Nations and its more enterprising involvement in the business of extinguishing centers of regional tension and not the more responsible and constructive approach on the part of the great powers. America's powers that be are inclined to see as the reason for the changes the firmness of the United States, its capacity and readiness to "confront" the Soviet Union and the cohesion of the West. Incidentally, a similar picture may also be observed, somewhat less prominently, perhaps, in what concerns Americans' interpretation of successes in the disarmament sphere.

In addition, we cannot close our eyes to a number of particular features of U.S. regional policy ensuing from the specifics of American domestic political life.

The regional component has traditionally been the most ideologized in U.S. foreign policy and it remains a subject of the closest attention on the part of conservative forces. U.S. administrations have tried repeatedly to "pay off" the right unhappy with the prospects of changes for the better in Soviet-American relations by a demonstrative show of toughness in regional fields. The most striking examples of this have been, from relatively recent experience, the bombing of Libya in April 1986 and the threats of an attack on a Libyan chemical plant in January 1989, and from more distant times, the bombing of Hanoi and Haiphong and the mining of DRV ports in the spring of 1972. Or the U.S. invasion of Grenada in October 1983 hot on the heels of the incident involving the South Korean airliner and literally on the eve of the start of the deployment of American intermediate-range missiles in West Europe. At that time Washington needed this action for a show of toughness and for an additional abrupt increase in pressure on the entire perimeter of Soviet-American relations. It may be assumed that the new Washington administration also will not shun attempts to use regional conflicts for the purpose of manipulating the level of tension in the United States' relations with the Soviet Union.

As before, American political circles are viewing regional conflicts—although such sentiments are on the wane here now—chiefly from the angle of "exhaustion" of the Soviet Union. According to the understanding of the world of the American right, the USSR and the United States have, compared with the 1960's, swapped roles: whereas before the United States bore a heavy burden, supporting weak, unstable regimes while the Soviets helped guerrilla movements, which is considerably less costly, now, they say, everything is the other way about. Whence the conclusion: U.S. regional policy should be

subordinated primarily to the principle of causing Moscow the maximum material, political and moral harm.

Thus the prominent Republican senator R. Lugar wrote: "Up to now the Reagan Doctrine has opted for military pressure as a means of increasing the costs of Soviet involvement in the third world."¹² It is symptomatic, however, that U.S. official policy is trying to distance itself from such extremist statements. The program report which we have already quoted, "Freedom, Regional Security and Global Peace," contains the highly significant reservation: "Some people have maintained that the regional wars in which the Soviet Union is involved afford an opportunity for 'draining' the Soviets. This is not our policy. We believe that these wars are a danger to American-Soviet relations and a tragedy for the suffering peoples directly involved."¹³

Nonetheless, as of the present time even figures of a pragmatic persuasion are setting very restricted limits on interaction with the Soviet Union in regional matters. Inasmuch as basic ideological, geopolitical and geostrategic aspects of the mutual relations of the two social systems on a global scale are knit together in the American establishment's idea of regional conflicts, Washington is endeavoring to reserve for itself the maximum freedom of maneuver in these matters. For this reason, in particular, it is treating with a certain caution the recording in joint documents of any provisions which would define the nature of relations between the USSR and the United States in the regional sphere.

Agenda for 1989-1992

Thus granted the existence of significant positive changes, there is a real possibility of the lagging of the regional component in terms of degree of maturity of the interaction between the USSR and the United States behind other directions of Soviet-American relations—disarmament, humanitarian. Such a turn of events would be highly undesirable because, also, it could result in a deceleration of the solution of pivotal problems of security. It is important to realize the objective prerequisites which have taken shape thanks to the positive impulses of the five summit meetings for "pulling up" Soviet-American relations in the regional sphere.

Believing that the United States is not interested in a political settlement of conflicts would be to oversimplify a complex composition. Pragmatic forces in the U.S. leadership are definitely interested in the solution of regional problems and the unblocking of crisis situations, although, naturally, they wish to squeeze from the Soviet Union here the maximum in the way of concessions. However, the reality of the interrelated and interdependent world is that there are objectively common interests, the sphere of which exhibits a steady trend toward expansion and with which even "solidly" anti-communist factions of the ruling class in the West have been forced to reckon to a growing extent.

We may point, for example, to the common interest in:

preventing a direct clash between the armed forces of the USSR and the United States in this "flash point" or the other;

avoiding situations where, by virtue of the effect of domestic policy factors, one party would be "driven into a corner," that is, would be forced to engage in actions not in keeping either with its own long-term interests or the interests of global stability;

using the possibilities of the joint realization by the USSR and the United States of their goals in the regional sphere in instances where they are not counterposed inasmuch as a minimization of material and political costs is best achieved via a unification of efforts with the leading partner-opponent.

As far as Soviet goals in the sphere of contacts with the Americans on regional problems are concerned, the target minimum, it would seem, is the curbing of extremist manifestations of the U.S. regional course. A bigger task of the future is seen as being the gradual embodiment as fully as possible in the regional sphere of the new political thinking, primarily the principles of freedom of choice and a balance of interests.

It would seem that in respect of the regional aspect of the USSR-United States relationship the long-term agenda could include the following questions¹⁴:

1. Respect for the right of each people to an independent political, economic, social, cultural and religious choice.

2. Encouragement of processes of a political settlement on local soil based on various models of national reconciliation; provision for them of the optimum external environment based on cooperation with the United Nations and regional security organizations. A readiness, given the corresponding interest of the parties directly involved in local conflicts, to render them mediation and other assistance in the achievement of a comprehensive political settlement as far as the joint guaranteeing of coordinated accords.

3. Pursuit of a policy of the winding down of their military presence in centers of regional tension, which would presuppose, *inter alia*, the mutual commitments of the USSR and the United States not to station troops in areas in the grip of local conflicts and civil wars, not to have military bases and facilities there, not to send there military advisers, to halt or sharply limit arms supplies to the belligerents and so forth.

4. Joint economic and humanitarian assistance to countries embarking on the path of the surmounting of the consequences of fratricidal wars and conflicts (on both a bilateral Soviet-American basis and by way of the advancement of international projects).

As far as the coupling of such a policy with the U.S. approach is concerned, it is, I believe, by no means hopeless.

It is advisable in this connection to recall the "Reagan Plan" set forth by the U.S. President in his speech to the UN General Assembly 40th Session on 24 October 1985, which now also, with certain adjustments, naturally, remains the basis of U.S. regional policy.

The President declared, *inter alia*: "...we propose and undertake wholly to support a regional peace process aimed at the achievement of progress at three levels.

"First, we believe that the point of departure should be a process of negotiations between the belligerents in each country (Afghanistan, Cambodia, Ethiopia, Angola, Nicaragua—N.S.). The form of these negotiations may and should vary, but negotiations and an improvement in domestic political conditions are materially important for a halt to the violence, the withdrawal of foreign troops and national reconciliation.

"There is a second level. As soon as the negotiations gain momentum and the parties directly involved make real progress, representatives of the United States and the Soviet Union should get together. It would not be our job to impose some solutions at these separate negotiations; such solutions would be short-lived. But we should study the question of how best to support the negotiations under way between the belligerents. In some cases it would be entirely appropriate to examine guarantees of any agreements reached. But in each case the main task would be progress toward the following goal—the monitored withdrawal of the foreign military presence and a limitation of arms supplies from outside.

"And, finally, if these first two steps prove successful, we could move on to the third: welcoming the return of each country into the world economy...."¹⁵

In advancing the "Reagan Plan" Washington most likely had as its priority goal the expulsion of the USSR from regional settlement processes, the removal of progressive regimes in a number of "third world" countries and the return of these countries—on American terms—to the "family of free nations". Nor can we agree with the list of regional problems accommodated to the American plan. One easily catches the main criterion by which Washington was guided—selection of the regional conflicts in which anti-government groupings are conducting an armed struggle against progressive regimes and an ideological coloration is present. For this same reason such painful centers of world politics as the Iran-Iraq war and the Arab-Israeli conflict remained beyond the framework of this plan.

Nonetheless, if we take the program contained in the "Reagan Plan," it incorporates also in form rational kernels which echo to a certain extent the considerations expressed above. In addition, the very approach of the

United States to regional problems has evolved in past years, and, consequently, the practical filling of the American plan has changed also.

Account has to be taken of the fact that Washington is consenting to the affirmation of common principles quite reluctantly. As American representatives emphasize, as distinct from us, the United States prefers to move not from the general to the particular but from the particular to the general. That is, from the specifics of a settlement of this regional conflict or the other to a broader mutual understanding. Americans' suspicion on this issue has its roots largely in the first half of the 1970's—the era of détente—when we signed many documents which called for a regulation of the two powers' relations, documents which were frequently not buttressed by practical political support. At that time every conceivable proposal of supporters of the "Realpolitik" school concerning the formulation of a kind of "code of behavior" of the two superpowers in the "third world" was in vogue across the Atlantic. These proposals are now perceived by many people in the United States—and not only there—as the "consecration" virtually of the idea of global Soviet-American condominium.

The final and, probably, most graphic example of the United States' approach is the instance recounted by M.S. Gorbachev at a press conference upon the conclusion of the Moscow summit. The Americans flatly refused to have in the final document of the meeting statements which were, seemingly, entirely innocent and approved in world negotiating practice—concerning the fact that no contentious problems should be solved militarily, that peaceful coexistence is seen as a universal principle of international relations and that the equality of all states, noninterference in internal affairs and freedom of sociopolitical choice should be deemed rules which are inalienable and obligatory for all. It reached the point of Reagan's people having in the literal meaning of the word to break the President's emotional predisposition to nonetheless find mutually acceptable wording.¹⁶

With regard for this fact, the policy adopted by the Soviet Union of relying in regional policy to the maximum extent on peacemaking efforts made on local soil and making more extensive use of sensible ideas contained in the proposals of other countries, the United States and its allies included, is fully justified.

Footnotes

1. A.M. Haig, "Caveat. Realism, Reagan and Foreign Policy," New York, 1984, p 95.

2. See THE NEW YORK TIMES, 9 December 1985.

3. See A. Kolosovskiy, "Regional Conflicts and Global Security" (MEMO No 6, 1988, pp 32-41); A. Kozyrev, "Trust and Balance of Interests" (MEZHDUNARODNAYA ZHIZN No 10, 1988, pp 3-12).

4. FOREIGN AFFAIRS, Fall 1988, pp 3-4.

5. Ibid., Summer 1988, p 900.

6. "Report by the President to the U.S. Congress 'Freedom, Regional Security and Global Peace,'" 14, March 1986, p 2.

7. "Visit of M.S. Gorbachev, General Secretary of the CPSU Central Committee, to the United States of America, 7-10 December 1987. Documents and Material," Moscow, 1987, pp 149-150.

8. FOREIGN POLICY, Spring 1988, p 9.

9. DEPARTMENT OF STATE BULLETIN, April 1988, p 12.

10. "Republican Platform. An American Vision: For Our Children and Our Future," New Orleans, 1988, p 77.

11. "Excerpts of Remarks by Vice President George Bush. Mid-America Committee Luncheon," Chicago, 2 August 1988, p 3.

12. FOREIGN AFFAIRS, Winter 1987/88, p 259.

13. "Report by the President....," p 7.

14. Of course, alternative versions of this agenda are possible. See, for example, A. Kislov, "New Political Thinking and Regional Conflicts" (MEMO No 8, 1988, pp 46-47).

15. WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, 28 October 1985, p 1294.

16. "Soviet-American Top-Level Meeting. Moscow, 29 May-2 June 1988. Documents and Material," Moscow, 1988, pp 140-142.

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Rethinking of 'Information Sovereignty' Doctrine Urged

18160008e Moscow MIROVAYA EKONOMIKA I MEZHDUNARODN'YE OTNOSHENIYA in Russian No 3, Mar 89 pp 44-57

[Article by Vyacheslav Georgiyevich Igorev, current affairs writer and author of a number of works on cultural and information exchange: "International Communication in a Pluralist World"]

[Text] Ever increasing importance is attached in our time in states' domestic and foreign policy to their ability to find a modus operandi corresponding to the situation of a pluralist world. I believe that the need for a revision

of a number of foreign policy aims and theoretical approaches is maturing in this connection. This applies particularly to the attitude toward the "free flow of information," "peaceful coexistence of cultures and ideologies," "free exchange of ideas and people," "information sovereignty" and certain other concepts.

Even today it may be affirmed that the S&T revolution in industrially developed countries is leading to radical changes in people's work and social conditions. Specifically, broadening to a considerable extent the possibilities of disclosure of the potential of the individual, computers and other of the latest means of communications are accelerating individualization of production processes and the processes of man's activity in general. Is this not a manifestation of the trend described by F. Engels as "mankind's decomposition into a mass of isolated, mutually repellent atoms," which, according to him, "...is in itself the destruction of all corporate, national and particular interests generally and the last essential step toward the free self-association of mankind?"¹

Mankind as a mass of "mutually repellent atoms" or, in other words, "free individuality based on the universal development of individuals"² is nothing other than the basis, initial condition and simultaneously the result of pluralism in society, including a tolerant attitude dissidents.

In the modern era—and accumulated world experience testifies to this as clearly as can be—the most important prerequisite of the realization of this pluralism, that is, freedom and diversity of thoughts, opinions, beliefs, alliances, the press and speech, is the unhindered receipt and dissemination of visual and aural information (radio, television, video, the printed product and so forth). K. Marx's reasoning in defense of freedom of the press (read: information, inasmuch as at that time the press was the sole communications medium) has by no means lost its relevance in our day. Here are some of his arguments: "Whoever struggles against freedom of the press has to defend the proposition concerning the eternal immaturity of the human race.... The question is whether freedom of the press constitutes a privilege of individuals or whether it is a privilege of the human race.... A mean way of thinking, personal squabbles and vileness may occur in both a censored and free press.... A free press remains good even if it bears bad fruit for this fruit is merely a deviation from the nature of a free press.... A free press is the keen eye of the public spirit, the people's embodied trust in themselves and vocal ties linking the individual personality with the state and with the whole world.... Just as everyone learns to read and write, in the same way everyone should have also the right to read and write."³

V.I. Lenin's statements on how freedom of information could be realized in practice, that is, free communication and expression of opinions between different groups of

citizens, are of great interest. Even under those extraordinarily difficult conditions V.I. Lenin proposed in the "Draft Resolution on Freedom of the Press": "The worker-peasant government understands by freedom of the press... the granting to each group of citizens which has attained to certain numbers (10,000, for example) equal right to the use of the appropriate share of stocks of paper and the appropriate quantity of printing work."⁴

Owing to the limited nature of the resources and communications facilities, V.I. Lenin cited as an approximate "lower limit" of the groups of citizens 10,000. Communications today are no longer confined to print media, and the possibilities of logistical support for people's communication are broader than ever. Lowering this limit to each individual is becoming practicable. It is a matter of political decisions.

Information and Cultural Sovereignty?

It is urgently necessary to seriously rethink our past unconditionally negative attitude toward certain concepts prevalent overseas—the "free flow of information," for example. After all, it is no secret that there is a practically unimpeded radio flow, not subject to the state, which in the years of the intensive jamming of Western radio programs only intensified. The video flow is expanding explosively. It does not require particular imagination to see in the foreseeable future a free television flow with the aid of space-based communications facilities. Administrative levers of regulation really function only in the sphere of control over the print flow. However, here also with the spread of an integrated electronic information and cultural infrastructure such control will be increasingly pointless and even harmful, impeding scientific, social and cultural progress. How, one wonders, under the conditions which are taking shape may an outwardly attractive formula of "states' information sovereignty" be applied in practice? Obviously, in the present information-technological situation the alternative to the freedom of information is stagnation in science and production and also a weakening of people's ideological substance and belief in the soundness of ideals, teachings and views which are instilled, and not freely imbibed.

Touching on the possibilities of the "television penetration" of the USSR, USIA Director C. Wick, once declared: "We are studying the possibility of telling with the help of Voice of America those who have certain technical capabilities... how they may themselves make an antenna to receive television programs...." These programs, he went on to say, could be taped and then disseminated similarly to the way in which this is done today with "samizdat" manuscripts.⁵ A highly symptomatic statement, which reflects actual trends and problems.

Under these conditions a particularly important part is attached to the competitiveness of one's own television programs. As yet only the "View," "Before and After

Midnight" and the "Fifth Wheel" programs can compete in terms of popularity with foreign programs in Soviet border areas. As a whole, however, according to Soviet press data, foreign television is preferred in the border areas: "Polish television is watched in Lithuania and Belorussia, Hungarian in the Trans-Carpathian region, Romanian in Moldavia and Turkish in South-west Georgia. Finally, all of Estonia watches Finnish television."⁴ Obviously, this phenomenon will spread to the rest of USSR territory also with the development of direct satellite television (DST). Practice testifies that ensuring "information sovereignty" for DST is just as impossible as for radio broadcasts. The viewer may be "won" only by the quality of our own television programs.

Many countries have already begun the study of political decisions in keeping with the obvious realities. Thus, for example, within the EC framework the European Parliament has passed a resolution which says that a Europe without borders also needs television not confined to national boundaries.

Television is just one example of how the cultural and information flow emanating from Western countries is growing. Attempts to somehow regulate this flow against the wishes of the main supplier countries have proven, on the whole, not that successful. "International information and cultural exchange is a politically complex phenomenon and does not in all instances lend itself to bilateral regulation, that is, the consent of the recipient country," the Soviet scholars G. Vachnadze and Yu. Kashlev observed with every justification.⁵

There is an urgent need for a continuation of dialogue and a search for compromise solutions with the leading capitalist countries. The fact that they are frequently in a minority at international forums, in the United Nations and UNESCO, for example, at the time that information issues are discussed by no means signifies a weakening of the huge amounts of information emanating from them and does not bring any closer the possibility of the achievement of compromise. Let us ask ourselves: has the withdrawal from UNESCO of the United States, which found itself in a minority upon discussion of the "freedom of cultural and information flows" concept, which it championed, led to any positive result? After all, the exclusion of such a power from international cultural and information communication or a diminution in its relative significance is an obviously unrealistic prospect, even if it is allowed that it could appear attractive to some people.

There is another side to the problem also. It would be extremely naive to hope for success in shutting off the cultural and information flow from the West which does not suit us and keeping open here such a flow from our side to the West. What to do here? Attempt to negotiate the mutual noninfluence of ideas and artistic images

which are not to the partners' liking? Or, on the contrary, negotiate the nonerection of barriers in the way of exchanges thereof?

I believe that under present conditions—as in the foreseeable future also—the sole reasonable rule of behavior should be the peaceful competition of the most varied ideas and artistic images, whereby reactionary, amoral and other ideas and views are rejected and wither in people's consciousness in view of their intelligent non-acceptance, that is, the natural, and not command-directive, prohibitory way, which only prolongs the life. No party may demand of another a halt to propaganda of its way of life and system and simultaneously reserve the right to such propaganda itself. Propaganda is a natural component of communication. And, obviously, the time has come to pose the question of a necessary struggle not against one's opponents' propaganda but for compliance with the "rules of the game," that is, honesty, nonanimosity, right of reply, mutual respectfulness and so forth.

Of course, cultural and information flows from abroad have contained and will continue to contain not only pure and "refreshing" ideas and morals. Some weeds are finding and will continue to find generous soil in both native and foreign parts. However, the evolution of nature, man and society has always been accompanied by a natural selection of progressive and a withering away of nonviable forms of organisms, social formations and spiritual tendencies.

And here also an at first sight paradoxical conclusion, which runs counter to established approaches, suggests itself. Its essence is as follows. The greatest danger for people's spiritual and moral health and their conviction as to the soundness of their chosen ideals and for the nations' cultural distinctiveness and future is contained not in inhumane, amoral and other world views alien to humanity, which, together with highly moral and humanitarian views, have arisen and will continue to arise throughout the history of civilization, but in the erection of obstacles to the natural contest of ideas and artistic images. This conclusion is based on the premise set forth above, according to which misanthropic ideas and images may truly die out merely as the result of their personally intelligent and voluntary nonacceptance by all sober-minded people. Methods of edification, prohibition and omission, which are frequently employed sincerely for combating pernicious views, have led to results the opposite of those intended.

Our spiritual and intellectual potential is becoming increasingly strong and diverse as the processes of perestroika and glasnost develop. All the less point is there in bans and restrictions, all the more fruitful is frank and respectful dialogue and all the fewer should be the misgivings in the face of the penetration of our ideology of ideas alien to it.

Danger of Monopolization of the Spiritual Environment

So the greatest danger is the erection of obstacles to the natural contest of spiritual-moral principles. Such obstacles are associated, as a rule, with attempts at the monopolization of the cultural and information environment.

Such monopolization has an extremely pernicious effect on all aspects of the life of the population inasmuch as it leads to a scaling down and cultural and information uniformity and deprives the individual of freedom of choice of the source of information and artistic images and also frequently deprives him of the possibility of "feedback," that is, a response and refutation; in a word, takes away the right to inform, and not only to be informed. All this leads to oversimplification and the primitivization of the social organism. We have here to agree with the prominent Soviet scholar L. Gumilev, according to whom the simplification and uniformity of human communities is leading to their regression and disappearance, while the complexification and diversity of their life are a guarantee of the progress and prosperity of social formations.⁸

When the logical conclusion: the demonopolization, including, of course, the "de-statization," of the cultural life of society is a vital necessity. The danger for the future of the nation is contained precisely in the arbitrarily centralized model of the cultural and information environment.

It should be acknowledged that the policy of monopolization of both the means of communication and cultural-information exchange, inherited from Stalin's times, is deeply rooted in our society. Thanks to the present glasnost and democratization, hope that it will be possible to block trends which are disastrous for the country's future has emerged. Not only does continued technical progress depend on the degree of accessibility of information flows here but also such most important political goals as democratization and glasnost are hardly attainable without the creation of a dependable network of information channels and data banks which are diverse and open to each citizen.

As estimated by prominent Soviet scholars—academicians D. Gvishiani, V. Mikhalevich and V. Semenikhin and Prof. A. Rakitov—there are more than 3,000 such generally accessible data and knowledge bases in the United States. In our country, however, they simply do not exist, there being only departmental and specialized (for a limited group of specialists) bases. Integrated communications systems transmitting all kinds of video and sound information on the basis of the latest technology have already been created in the United States. The West European countries are to complete the creation of such a system by 1990. We have yet to start on the creation thereof.

There arises the natural question as to whether the following quite widespread recommendation corresponds to the objective requirements of social development in general and the cultural and information sphere in particular: "When, where, whom, what and how to inform are questions the precise answers to which should be known by a body or individual engaged in information work. Otherwise this work runs the risk of becoming bogged down in formalism and, other than harm, will do nothing"¹⁰? Does not such a recommendation—essentially a call to limit information and issue it in doses—conflict with the actual situation which has already taken shape and the task of molding an independently thinking individual convinced as to the soundness of consciously chosen ideals?

Confrontational Approach

The confrontational approach to questions of the cultural and information communication of states with different sociopolitical systems has become deeply rooted in our, and not only our, science and practice. Even on the problem of values in culture common to all mankind, where, it might seem, there are the greatest opportunities for finding points of mutual understanding, opinions have been expressed to the effect that "the universality of art is manifested in the acute form of class collisions and the confrontations of the diametrically opposite ideologies of the two social systems."¹¹

There are frequent instances of the argument with foreign scholars, social scientists and cultural and political experts having been conducted in an impermissibly hostile and rude tone: "...bourgeois social science has finally degenerated into ugly apologetics and a means of subtle disinformation and struggle against socialism. Social scientists loyally serving monopoly capital and the imperialist state have placed themselves outside of scholarship and scientific morality."¹²

An assertion most prevalent in the works of Soviet experts is: imperialism is attempting to make a breach in socialism by means of pop music, mass culture, avant-gardism and so forth; whence the conclusion concerning the pernicious nature of these varieties of art and substantiation of the need to cut them off.

The confrontational approach has been based also on the apprehensive-suspicious and even hostile attitude widespread among experts toward the "peaceful coexistence of cultures" and "peaceful penetration of ideas" theories, behind which many people saw, and still see, merely an endeavor "to drag into our country ideas aimed at weakening and subverting socialism and introducing bourgeois culture, with the aid of which it is hoped to influence Soviet people's consciousness."¹³ The reproaches leveled at bourgeois ideologists, who are "in fact calling on the working people to ideologically disarm under conditions of the acute class struggle,"¹⁴ appear

naive also. Could it seriously be hoped that the ideologists of this system or the other would call for its subversion?

In matching the truthfulness of the opinions of certain Soviet cultural experts with the practical state of affairs, one involuntarily comes to the conclusion of the manifest divergence of what is desired and what is. Here are some examples of absurdity and hasty and, in our view, even utopian conclusions. "The assets of the ideologists of capitalist society have long lacked values whose propaganda could effectively counter the extensive spread of anti-bourgeois sentiments."¹⁵ The utmost intensification of anti-capitalist sentiments in bourgeois society should have ensued from this. However, the actual situation does not testify to this.

I believe that in the era of the rapid development of modern means of communication the need for deliverance from such approaches and the transition to the free competition of the intellectual product on a planetary scale is becoming increasingly obvious. If, on the other hand, varieties and works of modern art were to exist, develop and die out naturally within the framework of both national cultures and universal culture, "making breaches" would not make sense and would become a ridiculous occupation.

Also hardly justified is the proposition, widespread among our experts, that "it is in our time that we may speak of the profound crisis of bourgeois culture" or of the "degradation of bourgeois culture... and its complete detachment from historical and artistic truth."¹⁶ If this opinion is taken as the starting point, it is hard to explain the reasons for the present development of Western civilization, which was the first to enter the era of the information-technology revolution, which has raised to a new qualitative level, inter alia, spheres of artistic and scientific creativity also.

Similarly far from the truth, in our view, are the exposures of modernism as bourgeois "culture of the heavies," the culture of the exploiter minority imbued with anti-humanism, and so forth.¹⁷ Taking this premise as a basis, it is hard arriving at a rational explanation of why this school in art is gaining momentum in socialist countries also. Can it be explained merely by the "corrupting influence of the West"? Or do its roots lie deeper?

Examples of such absurdities could be continued. The main reason for them obviously lies in the confrontational approaches to foreign cultural policy, which are still current. These approaches nurture an "enemy image" in the shape of the opponents—many figures of scholarship and culture of the capitalist countries—and the fruits of their culture are primordial considered in the majority of cases to be contra-indicated for the population of the socialist countries. Objective conditions of the present stage of mankind's development are compelling—against the wishes, essentially, of those who

have been endowed with power and who are endeavoring to preserve a cultural, information or scientific monopoly—scope to be afforded the competition of ideas, works, moral principles and artistic images on a world scale.

Bourgeois and Socialist

The proposition that "there can be no peaceful coexistence in the ideological struggle" is still embedded in our foreign policy concept. The negative attitude toward the ideas of the "peaceful coexistence of cultures and ideologies" and the "peaceful penetration of ideas and people" was constructed on this premise also.

A confrontational approach is present in the very "ideological struggle" concept, it would seem. Would not the "competition, contestability, argument and competition of ideas, ideologies, morals, works and achievements" within the framework of a common human culture sound more proper under present conditions? After all, in the nuclear age "struggle," that is, essentially, a confrontation of social and economic systems which has arisen historically, is in any sphere, ideological included, fraught with the danger of a growth of the scale of confrontation and its transfer to other spheres.

The supremacy of values common to all mankind over class values and the task of the de-ideologization of interstate relations and the exclusion from foreign policy and diplomacy of the self-sufficing component of ideological disagreements bring us directly to a rethinking of many seemingly permanent world-outlook tenets. For example, the legitimacy of the absolute delineation of the whole of present-day human culture into "bourgeois" and "socialist," between which there is allegedly an irreconcilable contradiction akin to the antagonism between the communist and bourgeois ideologies, evokes serious doubts.

In reality, the delineation runs along other parameters also. There is a great multitude of cultures, the fundamental indication of each of which is national-historical. High-art and mediocre works are encountered within the framework of any national culture. Attribution, however, of specific works to either "bourgeois" or "socialist" culture far from always lends itself to objective criteria. The separation from the culture of capitalist countries of works of an allegedly socialist and bourgeois profile is extremely subjective. Even less intelligent is the attribution in one heap of works from socialist countries to a culture which is allegedly "socialist" and, consequently, more progressive than the "bourgeois".

The ideologized approach to international cultural relations knowingly cuts off from the audience of the socialist countries gifted works of "pro-bourgeois" authors constituting, however, an organic part of world human culture and, as a rule, accessible to the majority of the population of the planet in nonsocialist countries. On the other hand, this approach leads to the politicization and

confrontational nature of cultural exchange, where "all who are not with us" are virtually automatically equated with those "who are agin us". The separation of mankind is thereby intensified.

What are the main conclusions ensuing from an analysis of the situation which is taking shape in the light of the new political thinking? Primarily recognition of the priority of values common to all mankind will lead us to an abandonment of the view of cultural values and the culture itself of the socialist countries as a more accomplished level in the development of world culture. Values common to all mankind and high artistic content are characteristic of the best models of any national culture.

The same may be said about attempts to define the objective criteria of the subdivision of culture widely practiced in many countries into mass, elite, popular and other varieties in accordance with the "for experts" and "for the unexacting" principle. There is an almost unanimous opinion among our scholars here that "mass culture" is only "there," but in no way "here".

Let us see. If we proceed from the fact that by "mass culture" is implied works geared to general consumption and undemanding, sometimes primitive, scaled-down tastes, it is obvious that such works are encountered in any national culture. In our country it is customary to call such works the "drab stream". And the question of what is more capable of corrupting the personality—Western "mass culture or national "drabness"—would seem to me highly debatable.

"Mass culture" is defined, then, according to the output of works from cultural general consumer production lines? But we also have more than enough of these. Incidentally, culture industries may release gifted works also. For this reason neither can the indication of cultural production line output serve as the criterion of pinning on the "mass culture" label if the latter is interpreted in the exclusively negative sense.

We have in this connection to agree with the conclusions of the American researcher (G. Gans), who back in the mid-1970's called attention to the fact that culture is becoming increasingly "spiced," that is, its varieties are characterized by the sympathies or antipathies of this social stratum and group or the other or individual even. And a most important technical means of the de-massification of culture, another American scholar, A. Toffler, believes, is the video machine enabling its users to select the product in keeping with the taste of each of them.

In a word, the classification of specific works of culture as belonging to mass and elite, high and popular and also bourgeois and socialist "cultures" is increasingly becoming stuck in subjective assessments and for this reason would seem to a large extent unjustified.

From the Standpoints of Dialectics

Encountering in studies which occur in our country a detailed exposition, analysis and cogent criticism of motion pictures and printed and other works widespread in Western and in the majority of developing countries even which are absolutely inaccessible to the Soviet public, one experiences at least a feeling of perplexity. How is it that the "initiated" researcher has studied these works of bourgeois "pseudoculture" and not been corrupted morally or ideologically? Has he been able to distinguish between "surrogates" and "real art" and false views and just ones and has made out what is good and what is bad, while our "uninitiated" public is unable to do this? Whence this lack of faith in the strength of the intelligence and convictions of his own people? And is not an elite approach, disclaimed, incidentally, by the majority of Soviet scholars, manifested here? Is it justified in a society driven by socialist ideals?

Even if it is assumed that the separated "noxious" elements of the culture of developed capitalist countries are put in the "evil" category, can from the standpoints of dialectics "good" be understood without a comprehension of what is "evil"? How to recognize the "better" without knowing and comparing and, consequently, recognizing with one's own eyes the "worse"? How to consciously vote for the "progressive" without being acquainted with the "backward"? These questions appear trivial, but some of our positions in foreign and in domestic cultural policy induce the thought of the frequent lack of a dialectical approach. And also—without oversimplification—how can we speak of the formation of the beliefs and philosophies of the modern man without freedom of comparison and choice of judgments and without all-around knowledgability?

In human culture, as in each developing natural and social phenomenon, unity and struggle of opposites coexist and there is a denial of negation. In their interaction and mutual influence the parts of a single culture ensure the further evolution of the culture as a system. To attempt to arbitrarily amputate some aspects of such a complex organism which are not to some people's liking means going counter to its evolution and impeding the albeit contradictory, but natural development of the individual and social consciousness.

The other aspect of the problem is seen to be as follows. Under the conditions of the contemporary S&T revolution and given the present international-political realities, states must (because they are objectively thus compelled also) adopt a respectful attitude toward all shades of public opinion—both national and foreign.

Naturally, the official position is the appearance of a sovereign country and most important indicator of its ideological and moral attachments. Does this mean, however, that there are within the country no opinions other than those of the state? And is it prudent to attempt to conceal these opinions, which differ from the

official ones, in international communication or, even more, suppress them within the country?

Criticism and Noninterference. Communication With Dissidence

Pondering communication with dissidence as an aspect of international relations, it has to be noted that questions of what is and what is not interference in internal affairs impermissible from the viewpoint of the generally recognized rules of international community living and of what should be the nature of the dialogue of states in an increasingly interdependent world, in which strength of reasons and arguments capable of changing one's partners' minds is becoming the sole means of solving problems, are moving to the forefront today.

It would seem that nonacceptance of criticism leveled at one on the pretext of "interference" will disappear increasingly with the establishment of the new political thinking. Under present conditions, when there is the mutual influence of states and the breaking down of information barriers and when not only the material but also cultural, spiritual and general humanitarian wholeness of the world is showing through increasingly clearly, criticism of "dissident" countries itself should obviously be more respectful and proper. Otherwise confrontational situations, impasses and new political crises will emerge.

Another aspect of the problem is: in what way may members of the international community seek fulfillment of jointly assumed commitments without the right of criticism of what, in their opinion, is a violation of such commitments? Respect for one's partners' social system and compliance with the principle of noninterference may hardly be interpreted such that states' dealings should be confined to the expression of accord and the adoption of joint statements.

Without criticism and a clash of opinions and positions in the world arena there would inevitably be stagnation in the development of international relations. After all, different, including dissident, thinking in the world community stimulates the search for optimum solutions and compromise options. Even the mistaken—at a particular historical stage—actions and policy of certain countries give a boost to counteractive steps by the world community as a self-organizing system which are of positive content. That is, mankind matures and learns—from mistakes included—civilized communication. "First law" in international relations is thereby gradually overcome.

The problem of the formulation of countries' generally acceptable behavior in relation to dissidence in the broadest meaning of this concept is highlighted in an entirely new way also. Essentially, dissidence, individual or group, coming from both within and outside a country, is impetus for social and scientific progress. Without resistance in nature and society there is no action, and

stagnation sets in. We recall that it was dissatisfaction with the existing situation, that is, dissidence, which led to the birth of socialist ideals and Marxist-Leninist teaching.

The experience of the most diverse countries testifies that the formation of a creative democratic atmosphere in society and its further progress are closely connected with a not simply tolerated ("clenched-teeth") but respectful, we may say, solicitous attitude toward dissidence. "In order for a desire to begin to create to appear," Academician P.L. Kapitsa wrote in 1980, "there should basically be dissatisfaction with what is, that is, one needs to be a dissident. This applies to any sphere of human activity."¹⁵

The approach cited above applies also, in our view, to international communication with reactionary dissidence. The premise that the evolutionary development of human civilization is born of the unity and struggle of opposites operates here also, it would seem. Of course, reactionary forces do not in themselves feed the sources of such development. The source is the strength of the resistance to old, outmoded and regressive phenomena on the part of the new and progressive.

So communication with dissidence in a common and contradictory world corresponds to objective trends. An increasingly large number of the problems arising in the world cannot be solved other than on a global basis; whence the need to reckon also with the opinion of those who at a particularly historical moment could be in a minority or in isolation even in the world community.

Are these arguments applicable to the practice of contemporary international relations? Let us take an extreme case. Can dealings with reactionary regimes be ignored in the present-day world? Does a policy of economic, cultural or diplomatic isolation of such regimes, even the most odious at times, correspond to current conditions? Of course, it is not a question abandoning scrupulous criticism of, for example, South Africa's policy of apartheid and its aggressive actions or the annexationist actions of Israel. But let us ask ourselves: is for the purpose of influencing the said states' policy their isolation from the world community a more effective weapon than diplomatic, cultural and economic dealings with them? I believe that dealings can and should be had with reactionary regimes without positions of principle being yielded here, with criticism of what in them is reactionary and with condemnation, but without rejecting dialogue.

In addition, historical experience teaches that isolation, as also the self-isolation of this country or the other, ultimately leads to the stabilization and political "ossification" of such regimes inasmuch as, given a limitation of international dealings with them, the possibilities of constructive influence from outside are made more complex also. If, however, the influence assumes the nature of power pressure, such countries respond, as a

rule, with an intensification of totalitarianism and the mobilization of internal resources for the regime's self-preservation.

There is an increasing necessity for the formation of a model of behavior in the international arena which provides for the unconditional consideration of various, including diametrically opposite, approaches in world economic, political and cultural dealings and a consistent orientation toward proper communication and dialogue.

Some Legal Principles of Communication

The basic principles regulating human communities' information and cultural contacts are gradually emerging increasingly distinctly.

This, for example, is how these principles are interpreted in regional human rights conventions. The African Charter of the Rights of Man and Peoples: "Each person has the right to obtain information. Each person has within the framework of the law the right to express and disseminate his opinion" (article 9). While proclaiming freedom of thought and expression in conformity with the corresponding articles of the General Declaration of Human Rights (article 19) and the International Pact on Civil and Political Rights (article 19), the Inter-American Human Rights Convention at the same time added the following proposition: "The right to express one's opinion may not be limited by indirect methods or means such as, for example, the abuse of state or private means of control in respect of newsprint, radio transmission frequencies or implements or equipment used in the dissemination of information or by any other means creating impediments to communications and the spread of ideas and opinions.... The law may provide for prior censorship in respect of public entertainment measures with the sole purpose of regulating access to them for considerations of the need to provide for the moral protection of children and adolescents. Any propaganda of war and any action involving national, racial or religious hatred... are regarded as crimes punishable by law" (article 13). Article 14 of this same convention stipulates that "each individual who has suffered as the result of erroneous or offensive statements or ideas disseminated among the public at large by an information medium regulated by law has the right to reply or insert corrections, using the same information channels...."

Similarly, these rights are set forth in the European Convention on the Defense of Human Rights and Basic Liberties, which, nonetheless, imposes the following limitations on the above-mentioned rights: "... in the interests of state security, territorial integrity or public safety, to prevent disorders or crime, to protect the health or morals of the population, to protect the reputation or rights of other persons, to prevent the publication of

information obtained confidentially or to uphold the authority and impartiality of the judicial authorities" (article 10).

Generally known are the basic propositions on this score recorded in the International Pact on Human Rights: "Each person has the right to freely express his opinion; this right includes the freedom to seek, obtain and disseminate any kind of information and ideas, regardless of national borders, orally, in written form or by means of the press or artistic forms of expression or by other methods by choice." Certain limitations on this right determined by the law are established solely:

"a) for respect of the rights and reputation of other persons

"b) for the protection of state security, public order and the health or morals of the population" ("International Pact on Civil and Political Rights," articles 19, section 2 and section 3, paragraphs "a" and "b")."

It has long been time, I believe, to devise a similar convention for the group of socialist countries also. It stands to reason that such a convention should not in terms of the content of the rights and liberties enshrined therein be inferior to the documents quoted above. And does not the "common European home" concept prompt the elaboration also of common European standards pertaining to a guarantee of individual rights and, possibly, common control measures in this sphere? In the common home the guarantees of the rights should most likely be common also.

Communication on Human Rights Problems

The progress of this nation or the other will depend to an ever increasing extent on whether it is able to put at its service the global flow of diverse information and various ideas or whether it attempts to fence itself off from outside influences, withdraw into itself and ensure uniformity of opinion.

The attempts made in the past to "close" the problem of observance of human rights (including the right to freedom of thought and the freedom to seek, obtain and disseminate ideas and images in the process of cultural and information communication), which were not employed other than with the epithet "so-called," can hardly be considered justified.

The problem of rights of the individual is ceasing increasingly to be states' domestic concern inasmuch as it has already outgrown national boundaries and is inseparably connected with international commitments presupposing responsibility for their observance.

Such opinions have recently been expressed with increasing frequency in studies by Soviet authors. "The imperatives of general security and the salvation of

mankind demand a surmounting of a wall, still unassailable in many instances, made of the ferroconcrete structures of the consciously distorted principle of noninterference in internal affairs. Objectively, the ever increasing interdependence of states and peoples presupposes the voluntary transfer (cession) of some of states' sovereign prerogatives in favor of interests common to all mankind," A. Glukhov writes. "...Glasnost must be an internationally prevalent factor. The Soviet Union proposes introduction of the principle of reciprocity in states' information activity in the international arena."¹⁹

In order to avoid complications in international relations in the field of man's basic rights and liberties it would obviously be very opportune to elaborate with the broadest participation of all countries and offer for UN confirmation a definition of what may and may not be considered interference in internal affairs. The detailed explanation and enshrinement in international law of this concept could lower appreciably the level of confrontation, facilitate the solution of many conflict issues and prevent the shield of "noninterference" being used to justify an unwillingness to adopt specific measures in respect of international commitments. The framework of the precedents when there really was interference and states' sovereign rights were violated would be clearly defined simultaneously.

It is for this reason that it is time to accept as a natural phenomenon discussion and, of course, criticism in respect of questions of the observance of human rights codified in well-known international pacts, the more so in that, thanks to the policy of glasnost, our domestic problems are being discussed increasingly broadly within the country. There can be no double standards in matters of glasnost.

The general democratic demands for respect for basic human rights and liberties have become the core of the debate concerning the humanization and democratization of human society. I believe that in our time limitations of the rights of the individual, in whatever country they occur, go beyond the framework of ideological and political differences since they affect the most basic values common to all mankind. This is one further argument in support of the partners in international communication being empowered to put questions of a humane nature to one another and demand that they be answered to the point. And would it not be prudent to recognize such competence for any citizen also?

Of course, under present conditions, when confrontational approaches in international relations are still present, the latter proposal appears somewhat utopian. However, in the long term—as civilized rules of international communication strengthen—its realization would seem perfectly practicable.

The state based on the rule of law is built on the fact that "not only is it the citizens who are responsible to the state but also the state which is responsible to the

citizens." The next step could be the principle of recognition of states' collective responsibility to individuals for providing them with a worthy existence at any point on the globe. The adoption of such a principle would mean recognition of a procedure of states' accountability concerning their law-upholding activity by analogy with the way in which at the present time the idea of states' collective security and accountability concerning nature-conservation activity on their territories is blazing a trail for itself. In this connection there arises the question of reconsideration of the negative attitude toward an international monitoring mechanism in the human rights field.

The statement made by M.S. Gorbachev on 7 December 1988 at the United Nations that the jurisdiction of the International Court in the The Hague in respect of the interpretation and application of agreements in the human rights sphere should be binding for all states and also the fact that documents of the Vienna Conference on Security and Disarmament in Europe contain for the first time in the practice of international relations recognition of citizens' right to make their active contribution collectively or individually to the struggle for human rights should obviously be considered an important boost in this direction.

What practical conclusions follow from what has been said? Primarily, the time has come, evidently, for a rethinking of the foreign policy aims which have been in conflict with the actual situation and the formulation of flexible concepts corresponding to the realities and trends of the modern world. Thus, in our view, the development of the concepts (we shall call them conditionally) of the "pluralism of cultural and information flows," "democratization of the information and intellectual environment," "glasnost in international communication," "humanization of human relations" and so forth could be of great significance.

The fact that an imperative of the modern age is the granting to persons, groups and associations of people of the opportunity to communicate freely among themselves and via print, audio-visual, television, radio and other channels, on a planetary scale included, is becoming increasingly apparent. It is no longer this opportunity itself but, what is most important, the speed of the receipt, processing, transmission and dissemination of information by everyone who so wishes which is becoming an inalienable prerequisite of progress. It has to be emphasized once again that limitations on the use by any person of copiers and duplicating equipment, printer and PC diskette imports and instances of the persecution of owners of videos and satellite TV dishes consuming unsanctioned audio-visual products, in a word, every possible interference with the free creation and dissemination of artistic and information images, have become a perceptible impediment to the movement of social, cultural and scientific thought.

In international and intra-national communication such persons, groups and associations of people do not necessarily have to adopt the official position of their state, which, evidently, has to be the character of a sovereign country and collate the positions of the majority, given respect for the opinions of the minority and even individuals with a right to their own position and propaganda thereof.

If, however, we wish to achieve the free circulation of information, restrictions on the "circulation" of people become pointless also inasmuch as the main thing which gives rise to resistance to their free movement from country to country is a fear of strange ideas and morals, in a word, people's cultural and information "filling".

The following approach would seem pertinent and legitimate. The civilized man should have the opportunity for unimpeded and direct familiarization with any ideas, works and intellectual and moral tendencies current in the world. It is difficult to agree that the existence of such an opportunity is tantamount to propaganda of the negative aspects of human culture. Negative phenomena only wither away conclusively when rejected by mankind intelligently, that is, by the natural, and not prohibitive or edifying, path. This is a manifestation of the objective laws of development of society and the human consciousness.

Footnotes

1. K. Marx and F. Engels, "Works," vol 1, p 605.
2. Ibid., vol 46, pt 1, pp 100-101.
3. See *ibid.*, vol 1, pp 53, 55, 58, 65, 79.
4. V.I. Lenin, "Complete Works," vol 35, p 51.
5. See TV GUIDE, 22 December 1984, p 42.
6. See SOVETSKAYA KULTURA, 6 August 1988.
7. G. Vachnadze, Yu. Kashlev, "International Information Exchange. Its Supporters and Opponents," Tbilisi, 1980, pp 352-353.
8. See SOVETSKAYA KULTURA, 15 September 1988.
9. See PRAVDA, 21 June 1988.
10. A. Arnoldov, Ye. Anufriyev, S. Artanovskiy et al., "Marxist-Leninist Theory of Culture," Moscow, 1984, p 167.
11. N. Vladimirov, "The Class and the Universal in Art," Moscow, 1984, p 125.
12. A. Grigoryants, "'Psychological Warfare' and Modern Culture," Moscow, 1985, p 98.
13. I. Kuchmayeva, "Topical Problems of Culture and the Ideological Struggle," Moscow, 1976, p 158.
14. Ibid., p 39.

15. O. Makarov, "Art in the Modern Ideological Struggle," Moscow, 1975, p 68.

16. See I. Kuchmayeva, *Op. cit.*, pp 10, 23.

17. See G. Ashin, "Invasion Without Weapons....," Moscow, 1985, pp 117-121.

18. SOVETSKAYA KULTURA, 21 May 1988.

19. MEZHDUNARODNAYA ZHIZN No 6, 1988, pp 37-38.

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Foreign Capital in Socialist States: Joint Ventures
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MEZHDUNARODNYE OTNOSHENIYA in Russian
No 3, Mar 89 pp 58-68

[Article by Aleksey Vasilyevich Bereznoy, candidate of economic sciences, senior scientific associate of the USSR Academy of Sciences IMEMO: "Foreign Capital in the Economy of Socialist Countries: Joint Enterprise"]

[Text] The development of joint enterprise with the participation of foreign capital has become a most striking sign of the fundamental restructuring of the system of the USSR's foreign economic relations. And, like any major innovation, it is naturally giving rise to higher-than-usual interest and also unabating discussion in our country and overseas. All the more pertinent is an analysis of the practice (difficulties and problems included) of the creation and functioning of joint ventures (JV) in the European socialist countries which have had experience of such interaction with foreign capital for a whole number of years.¹

In Coordinates of the New Economic Thinking

Joint enterprise is by no means a new phenomenon in socialist Europe. The idea that the participation of foreign capital in the social production process was contrary to the very nature of the planned economy was current in our country for a long time. However, legislative instruments sanctioning the creation of joint ventures with the participation of capitalist firms came to be adopted as of the end of the 1960's, and they exist today in practically all European socialist countries except for the GDR.

A particular intensification of activity in this field pertains precisely to the 1980's. True, the wave of mass formation of JV is unevenly spread. In Yugoslavia and Romania, for example, which were the pioneers here, the process of the creation of JV has slowed somewhat in recent years. In other states the number of such ventures is growing markedly. It increased more than 20-fold in the period 1980-1987 in the CEMA countries (see Table 1).

Numbers of Joint Ventures With the Participation of Partners From Capitalist and Developing Countries

| | Up to 1980 | 1984 | 1987 |
|-------------------------|------------|--------------------------------|-----------------|
| Bulgaria | — | 8 | 15 |
| Hungary | 4 | 32 | 111 |
| Poland ¹ | 30 | 633 | 757 |
| Romania | 9 | 7 | 5 |
| Czechoslovakia | — | — | 3 |
| USSR | — | — | 19 ² |
| Total in CEMA countries | 43 | 680 | 910 |
| Yugoslavia | 164 | approximately 180 ³ | 200 |
| Total | 207 | approximately 860 | 1,100 |

¹ So-called "Polonial" enterprises (small enterprises with the participation of foreign partners of Polish extraction) constitute the vast majority of JV; there were 744 of them in 1987.

² More than 190 JV were registered in the USSR as of the start of January 1989. ³ 1985.

Sources: "Joint Ventures as a Form of International Economic Co-operation," United Nations, New York, 1988, p. 32; "East-West Joint Ventures: Economic, Business, Financial and Legal Aspects," United Nations, New York, 1988, pp. 74, 92; MULTINATIONAL BUSINESS No 3, 1987, pp. 13, 15.

Foreign capital is present in practically all sectors of the economy of the European socialist countries, and the proportion of JV with the participation of the biggest transnational corporations is relatively great, what is more (see Table 2).

Distribution of Joint Ventures by Sector of the Economy and Type of Foreign Partner-Company (1987, %)

| | Hungary | Bulgaria | Poland ¹ | Romania | Yugoslavia ² | CSSR | USSR |
|--|---------|----------|---------------------|---------|-------------------------|------|------|
| Distribution by Sector of the National Economy | | | | | | | |
| Manufacturing industry | 50 | 60 | 69 | 80 | 62 | 67 | 63 |
| Mining industry and metallurgy | — | — | — | — | 19 | — | — |
| Agro-business | 4 | — | — | — | 10 | — | — |
| Trade | 9 | 20 | — | — | — | — | 5 |
| Construction | 7 | — | — | — | 3 | — | — |
| Financial services | 4 | — | — | — | — | — | — |
| Nonfinancial services | 26 | 20 | 31 | 20 | 5 | 33 | 32 |

Distribution by Type of Foreign Partner-Company

| | | | | | | | |
|---|----|----|----|-----|---|----|----|
| JV with the participation of TNC (with sales of more than \$100 million a year) | 50 | 67 | 15 | 100 | — | 33 | 54 |
| JV with the participation of small and medium-sized companies | 50 | 33 | 85 | — | — | 67 | 46 |

¹ Excluding "Polonial" enterprises. ² 1984.

Estimated from "East-West Joint Ventures," p. 74; JOURNAL OF WORLD TRADE LAW, November-December 1986, p. 635.

What caused this change in attitude toward the admission of foreign capital to the national economy? The West frequently interprets the socialist states' aims in this sphere very simplistically. "On East Europe's part," the journal BUSINESS EASTERN EUROPE (a most authoritative Western source of business information on the European socialist countries), for example, wrote at the start of 1988, "the aims are clear: joint ventures represent one of the last inexpensive opportunities for obtaining Western capital and technology. Whereas the export price of raw material from East Europe remains at a low level and the amount of trade is, correspondingly, declining, joint ventures with the participation of Western partners remain the sole bright hope for troubled East European planners."²

Of course, the said motives have been of more or less material significance for the socialist states at this stage or the other. They have been reflected in the corresponding legislative instruments also. However, first, the set of aims officially formulated in these instruments is considerably broader. Specifically, besides the acquisition of technology

and managerial experience, there figure here motives of export expansion and (or) an increase in currency receipts (in all countries); increased productivity (Romania) or economies in manpower resources and materials and increased profitability (Bulgaria); an improvement in the country's provision with modern goods and the increased quality of services (Poland, USSR); import substitution (Romania, USSR); the accelerated development of backward regions of the country (Yugoslavia).

Second, which is far more important, the said motives pertain rather to the category of specific operational assignments and are not an indication of changes at the economic strategy level. It is significant that none of the formulas offered by Western commentators explains why for the accomplishment of the given specific assignment it is the JV form which is necessary. After all, given the current diversity of contract "non-share" forms of world-economic relations, there is almost always one and sometimes several alternatives. Technology is acquired, for example, on the basis of license agreements also, and

managerial experience, by way of the conclusion of management contracts, access to the foreign market may be secured with the aid of marketing agreements and so forth.

The strategic priorities of the majority of socialist states and the "philosophy" of their present approach to joint enterprise are inseparably connected with the policy of radical economic reform and the affirmation of new foreign economic thinking oriented toward the formation of a more open national economic complex. As J. Marthony, representative of the Hungarian Ministry of Foreign Trade leadership, in particular, concludes, the encouragement of joint enterprise is "an integrated component of economic policy, whose principal aims are the further progress of the economic reform and the national economy's fuller integration in the world economy."³

Under the conditions of the profound transformations geared to replacement of the command-administrative system by economic management methods the broad-based incorporation in the economic structure of economic agents highly developed in the technological and organizational-managerial respect and capable of operating only on the basis of commercial accounting could advance considerably the cause of radical reform. The participation of foreign capital in JV provides for the formation of their relations with the surrounding economic environment on a truly market basis, creating the corresponding "demonstration effect". It, in addition, contributes to the establishment of permanent contact with the world market of both the joint venture itself and the entire network of its local suppliers and consumers (which are frequently not in a position to involve themselves in foreign economic activity independently), enables them to constantly correlate their costs and their technical level with the "international standard" and creates the effect of their participation in international competition with their direct presence on the foreign market.

At the same time joint enterprise is called on to secure not simply a growth of the scale of the socialist economy's involvement in world-economic relations but its qualitatively deeper integration in the worldwide economy. As the experience of transnational corporations—the most advanced economic organizations of contemporary capitalism—has graphically demonstrated, it is incorporation in international production, in the process of the individual international division of labor (at the microeconomic level, at company and enterprise level), which affords the broadest opportunities for the increased efficiency of participation in foreign economic activity. And production-investment relations, whose intensity determines increasingly the character of this country or the other in the world economy, are the strongest stable base of the international division of labor of this type. Correspondingly, the creation of JV on the territory of the socialist countries may be seen as an important step en route to the broad introduction of international production to the practice of intersystem economic relations.

Aims of the Founders and the Administrative-Legal Environment

Granted the obvious significance of the socialist states' strategic aims, specific agreements on the creation of JV are being concluded by the enterprises themselves with their own priorities in this sphere. Joint enterprise with leading foreign firms ensures for the partners from the socialist countries a combination of advanced technology, experience of the organization and management of production, currency resources and a ramified international sales network. Although according to data of the UN Economic Commission for Europe JV constituted in 1987 little more than one-fourth of East-West industrial cooperation agreements (not counting the "Polonial" enterprises in Poland),⁴ they are attracting the increasingly close attention of enterprises of socialist countries, particularly given the certain disappointment with the results of industrial cooperation with Western firms on a purely contractual basis.

"...Even the socialist firms," the West German economist K. (Bolz), for example, affirms, "which have long experience of cooperation are now questioning the benefits of cooperation with the West.... Inasmuch as firms grant their Eastern cooperation partners access merely to second-rate technology, the prospects of exports to the West and, consequently, of currency proceeds can hardly improve. Besides, the cooperation agreements frequently stipulate market restrictions which rule out or complicate the Eastern partner's access to Western markets."⁵ Truly, international practice testifies that Western corporations generally try to avoid the transfer of new technology to companies with which they are not connected by share-capital ties.

They approach the sale of technological novelties to the socialist countries with even greater caution. This is explained not only by the continuing distrust of the intellectual property safeguards which exist there but also by the threat of serious sanctions in the event of the least deviation from CoCom rules (or, as the recent sensational "Toshiba affair" showed, merely their tendentious interpretation even). It is no accident that more than half the licenses sold by West European corporations to the CEMA countries were patented 5-10 years before the moment of sale.

In this respect JV possess certain advantages. After all, as the coowners of the enterprises and sharing equal commercial risk with their socialist country partners, Western firms have a vital interest in the efficiency, high technical standard and competitiveness of joint production, on world markets included. And, as distinct from contract forms providing merely for the one-time acquisition of equipment and technology, what is more, the JV create the conditions for the constant and essentially automatic flow thereof, which, given the accelerating change of "generations" of modern technology, is of colossal significance.⁶

As far as Western firms' motives are concerned, it is primarily the aspiration inherent in capitalist enterprises to the boundless expansion of sales markets, sources of raw material and spheres of capital investment generally which come into play here. "The USSR and, to a varying extent, the other East European countries," a spokesman for the American firm of consultants (Uison, Dibbl end Rem), for example, emphasized, "possess unsaturated markets and an abundance of manpower and raw material and are for this reason attractive to Japanese, West German and, possibly, American companies even."⁷

If it is a question of transnational corporations, the greatest importance is attached also to the aspiration to optimization of the international dispersal of various components of production and their transfer to conditions which are as of the given moment more propitious. In accordance with the logic of the relations which have taken shape within the framework of the modern transnational oligopolies here, the first attempt by one corporation to establish itself on a socialist market frequently causes a chain reaction of rival TNC endeavoring not to lag behind the leader.

Capitalist firms realize full well the advantages which their creation of JV affords them compared with other forms of business contacts with the socialist countries. As a poll conducted by the American Business International research corporation, in particular, showed, Western managers put among such advantages broader opportunities for the protection of their capital investments and sales network thanks to greater involvement and tighter control; an exclusive position on the local market; activity outside of national economic plans; tighter control of product quality; access to local working capital; an improvement in relations with the local government and one's reputation in the eyes of public opinion; the long-term nature of the commitments; protection against loss in connection with a change in the legislation of the host country; and so forth.⁸

Another such survey revealed a whole number of additional advantages: expansion of financial maneuvering; growth of the scale of export transactions; access to East European technology in a number of fields; acquisition of a geographically convenient base for servicing the markets of certain European or developing countries; the possibility of selling equipment, spares and material for the JV which are being formed.⁹

Following the ascertainment of the potential partners' specific aims, the complex process of their coordination and search for mutually acceptable conditions of the creation of the joint enterprise begin. And in all cases the socialist state, which forms the legal and administrative environment for joint enterprise, participates in the negotiations in one way or another as a "third party". An analysis testifies that in the majority of cases a key component of the system of legal regulation of the JV in socialist countries is share-capital legislation.¹⁰

In some countries (Romania, Hungary, Poland) legislative enactments which were in force in prewar times, but which have been modified in the years of socialist building, are used as the sources of corporate law. In other states (Bulgaria) analogous laws have been enacted comparatively recently. The experience of the socialist countries shows that the advantages of share-capital legislation are determined not only by its extensive spread and lengthy approval in practice as the main form of legal organization of the JV making it the most customary for foreign investors.

This legislation also affords an opportunity for the precise regulation of a whole set of questions—the relations of the constituent partners and the conditions of the JV's interaction with the planned economy (not to mention its potential significance for the domestic needs of the economic restructuring).¹¹ It is highly symptomatic that the idea of the enactment of share-capital legislation has in the USSR also finally paved a way for itself and is already in the practical development phase.

At the same time, although the legislative instruments governing JV essentially encompass the most important aspects of the creation and functioning of such ventures, nonetheless, "legislation in the sphere in question does not exhaust all the material issues. For this reason great significance is attached here to the contractual structuring of the relations with a foreign investor."¹² On the one hand an absence of detail in the legislative instruments which could ensure considerable flexibility at the negotiations and unleash the initiative of the partner-enterprises themselves. On the other, such freedom for the founders of JV has obvious minus factors also.

The legal uncertainty, which is dragging out considerably the process of formation of JV, is leading to material losses and ultimately reducing potential investors' interest. In addition, the legal "vacuum" is being filled in very actively by numerous departmental enactments in the form of a variety of sets of instructions. Such instructions far from always interlock between themselves and sometimes contradict one another. Interweaving closely with the tenacious bureaucratic traditions of the economic machinery, this could seriously complicate the process of the creation and functioning of JV.

The JV usually experience the biggest difficulties when encountering the administrative environment in the formation period, and these are connected in the majority of cases with the multilevel nature of the decision-making system. In Romania, for example, potential partners must submit the constituent documents to the Planning Commission, Ministry of Finance, Ministry of Foreign Trade and the Bank for Foreign Trade. After the amendments required by these institutions have been made, the papers are sent once again to the Ministry of Foreign Trade for legal appraisal, then for approval to the Council of Ministers and, finally, the republic State Council, which adopts a special decree.

The experience of a number of socialist countries testifies that the situation in this sphere may be rectified in a number of ways. In Yugoslavia, for example, following enactment of the recent law on JV in 1984, the sole institution to which appeal is made for authorization is the federal Committee for Power Engineering and Industry. It has to make a decision within 60 days following receipt of the inquiry. In Hungary the timeframe for final decision-making was reduced abruptly following the creation of the special "Ekonoserviz" firm, which offers a full range of services pertaining to the settlement of organizational problems arising at the JV formation stage.

The first steps of joint enterprise in the USSR showed that with us also the multilevel nature of the economic decision-making system was a serious impediment to the development of JV.¹³ The Soviet Government's consistent measures pertaining to decentralization in this sphere (adopted in September 1987 and December 1988) would seem highly productive. It is sufficient for state enterprises (associations) now for the adoption of a decision on the formation of a JV to obtain the consent of the superior management authority. As far as the cooperatives are concerned, they may now form JV with the consent either of the territorial management body (per their location) or the ministry (department) at whose enterprise this cooperative has been formed.

Besides the difficulties of the initial stage, many complex problems are arising also in the process of the JV's further functioning within the framework of the socialist economy. In their first responses to the enactment of legislation in the USSR on joint ventures the majority of representatives of Western business circles and experts have highlighted three main "sticking points": control under the conditions of the limitation of foreign participation in fixed capital to a "ceiling" of 49 percent, supply and sales under the conditions of the JV's dependence on a centralized planning system and obligatory currency self-support.¹⁴ For this reason the solutions of these problems in other socialist countries are of particular interest.

Share-Capital Ownership and Control

Traditionally the concept of control over companies of the joint-stock type has been connected with the value of the contributions to the capital and with ownership of a preponderance of shares. It was for this reason that the rule governing the obligatory preponderance of the national founder in the fixed capital was adopted originally in the majority of European socialist countries.¹⁵ However, international practice of recent years testifies to an obvious reduction in the role of share-capital ownership as the principal lever of control of an enterprise and the simultaneous conversion into serious instruments of such control of such "intangible" assets as advanced technology, management experience, a certain trademark or reliable access to a sales network.

Nor are the socialist states an exception in this respect. "The recent experience of countries with a centrally planned economy," experts of the UN Center for Transnational Corporations maintain, "shows that preponderant national participation in the capital is not always a sufficient condition for ensuring effective local control."¹⁶

At the same time, while by no means being a dependable guarantee of control of the JV, limitation of foreign participation in the fixed capital to a "ceiling" of 49 percent could undermine Western investors' trust in the policy of the socialist state. After all, the mere fact of the existence of such a limitation could lead foreign partners to the conclusion concerning the endeavor of the host country to distance them from participation in the control of their own assets invested in the JV. But what is most important is that the idea of blocking the foreign partner's access to the levers of control of the joint venture largely negates precisely the advantages which the host countries hope to obtain from him, undermines the possibility of involving himself directly in a rationalization of the economic activity of the JV and an increase in its efficiency, sharply reduces interest in a transfer of the latest technology and so forth.

Whence the short-sightedness of a policy of quantitative restrictions on the joint-stock participation of foreign capital and the obligatory guarantee of the formal preponderance of ownership of the national partner within the JV framework of the foreign partner is quite obvious. In addition, the demand for the preponderant share of the national founder creates a whole number of inconveniences for the latter also. Specifically, it frequently forces him to find additional resources to necessarily exceed the contribution of the foreign partner; take out loans for this, risking a deterioration in his financial situation; and so forth. As far, however, as putting a stop to behavior of joint ventures which is undesirable from the viewpoint of national interests is concerned, the host socialist state possesses an entire arsenal of diverse instruments of regulation of their operations, including the authorization procedure of the founding of the JV, the establishment of labor relations rules and tax and currency control measures.

All this played its part in the change toward a certain liberalization of the corresponding legislation of the European socialist countries. Thus in a 1980 law Bulgaria was the first to remove the "ceiling" on foreign participation. The same has been done in Yugoslavia (1984). As of the start of the current year new Polish legislation has abandoned the 49-percent maximum for a foreign partner. A CSSR law which took effect on 1 January 1989 permits a preponderance of the foreign share in the fixed capital of a JV. Hungary enacted a new law on business associations in October 1988 which replaces or incorporates all previous legislative instruments regulating the economic activity of enterprises, including JV. This law not only provides for the overseas investor's right to complete or predominant ownership of an enterprise on Hungarian territory but also does

away with the need for authorization for the founding of a JV to be obtained from the state authorities if the foreign participation is less than 50 percent.

But even more active steps in this direction have been taken at the microeconomic level. A search for optimum forms of the distribution of control between the partners has long been under way here. In some instances a clause is inserted in the enterprise rules to the effect that the most important decisions may only be adopted unanimously. Thus in the Hungarian-Swiss Biolog pharmaceutical enterprise, in which the share of the Swiss Zima firm does not exceed 49 percent, all fundamental questions are decided only on the basis of unanimity.

The founders of another JV on Hungarian territory, (Sfero-Evig), which manufactures pumping equipment (besides the Hungarian partner owning a majority of the shares, two West German and one Swiss company participate therein), highlighted three groups of questions: requiring complete unanimity, requiring the consent of 75 percent of the vote and those decided by simple majority. This plan provides any partner with an actual right of veto at the time the most important questions of strategic significance are decided and contributes to accelerated decision-making in respect of less essential current matters.

Also very prevalent is the practice of inclusion in the constituent documents of provisions providing for the foreign partner's right to appoint his own people to important managerial positions. This is either stipulated directly in the agreement or exercised by way of the issue of two types of stock. The first type—solely for the foreign partner—permitting him to appoint executives to some positions; the second reserves other positions only for the local partner. For example, the agreement on the establishment of the Romanian-American Rom-Control Data enterprise for the production of computer peripherals stipulates that a representative of the American firm and a Romanian citizen, replacing one another by turns, are to be appointed chairman of the board. The Americans also appoint the permanent assistant managing director.

Finally, agreements on the creation of JV frequently directly entrust to the foreign partner responsibility for this key area of the enterprise's economic activity or the other such as export transactions, technical policy, quality control and so forth. Thus the Czech side consented right at the start of negotiations on the organization with the Dutch Philips of a joint venture for the manufacture of ("Aveks") VCR's to hand over all export activity to its partner.

In the first agreements on the creation of JV in the USSR (the Soviet-Austrian "Volmag," for example, the Soviet-American ["PRIS"], the Soviet-Finnish ["INFA-Otel"] and the Soviet-Italian "Sovitalprodmarsh") such methods of distribution of control were employed very actively to somehow compensate for the negative consequences of the

strict limitation of foreign participation to the 49-percent "ceiling". But the costs of persisting with it became increasingly apparent. While not securing effective national control of the activity of the JV, this demand essentially only frightened away many potential investors.

In the event, however, of the creation of a JV, it frequently imposed an additional financial burden on the Soviet founder and simultaneously reduced the foreign partner's interest in an enhancement of the efficiency of the operation of the venture. The December (1988) decree of the USSR Council of Ministers finally took a decisive step forward: henceforward the shares of the Soviet and foreign founders of a JV in the fixed capital would be determined upon arrangement between them, and a foreign citizen could be chairman of the board or general director of the JV. At the same time questions of the activity of the JV are decided in accordance with the newly determined procedure only on the basis of the unanimity of all members of the board.

Within or Outside of the National Economy?

Problems of the supply and sales of the JV under the conditions of independence of the centralized plan—this is just part of the more general fundamental question of how joint enterprise fits in with (or, on the contrary, does not fit in with) the planned economy. The nature of the planned economy's relations with the JV correspond to its different models. In the traditionally strictly centralized model of the command-administrative economy the JV inevitably become an alien component of its economic structure and find themselves in the position of enclaves. This type of interaction with the planned economy, although it may exist in practice, is of very low national economic efficiency and does not correspond to the principles of the new foreign economic thinking nor to the tasks which Western investors usually set themselves.

Conditions for the gradual integration of JV in the economic mechanism should be created by the other, financially autonomous, model of the planned economy, which has begun to take shape within the framework of the economic reforms being implemented in the majority of European socialist countries. It presupposes a transition from directive planning at the top to economic methods of state regulation (based on state purchases, tax and credit levers and so forth) and also the real economic independence of the enterprises based on a full-fledged home market.

Neither of the said models is in pure form, obviously, an adequate reflection of the economic situation in any CEMA country. Each of them is at this stage or the other of movement from the first model to the second. And, furthermore, on the intensity of a country's progress along this path will depend its attractiveness for the creation of JV and the possibilities of their adaptation to local economic conditions and survival without support from the top. Thus it was the weakness of the economic

transformation processes in Romania which determined, in our view, the "enclave" type of the JV's interaction with the local economy and largely undermined Western investors' interest in the development of this form of cooperation (it is no accident that the last JV was formed in Romania in 1977).

An entirely different situation has been created by the highly dynamic promotion of economic reform in Hungary. "Hungary remains the country with the most propitious climate for joint ventures with the participation of Western firms," the same weekly *BUSINESS EASTERN EUROPE*, for example, maintained. "The economic reforms have been developed sufficiently here for these ventures to be able to operate more independently than in other East European countries.... The greater orientation toward obtaining profit within the Hungarian economic system has led to the greater convergence of the partners' goals, thereby increasing the chances of success."¹⁷

Somewhat of a special case is Yugoslavia, which has since the war implemented three full-scale reforms of the economic mechanism and, beginning with the first even (1950-1953), has been oriented toward market methods of regulation of the national economy.¹⁸ As special polls conducted by Western firms have shown, this factor for a long time worked to Yugoslavia's advantage when potential investors chose facilities for the organization of production in East Europe.¹⁹ However, in recent years the serious economic difficulties of the country, which is burdened with a colossal foreign debt, have reduced these advantages to nothing, and the process of creation of JV has slowed down. At the present time a new law providing even more propitious conditions for joint enterprise is being prepared. However, in the authoritative opinion of the leadership of the federal Committee for Power Engineering and Industry (which has government responsibility for the development of JV), "it is a healthy state of the economy, and not legislative changes, which might attract foreign investors."²⁰

The kind of "transitional" state of the economy of the socialist countries (which are at different stages of economic reform) predetermines also the dual position of the JV which are being formed. On the one hand the principle of their independence of national planning systems which figures in the majority of the corresponding legislative instruments is seen by the partner-founders as a most important advantage of this form of economic activity. In addition, even in countries in which the JV have to perform their operations in accordance with a national economic plan they actively seek from the very outset, as a rule, the practical consolidation of their special (compared with local enterprises) position and endeavor with might and main to avoid any obligations to the planning authorities whatever.

In Romania, for example (where the inclusion of the financial-economic programs of the JV in the national economic development plan is stipulated in principle),

the (Renk) firm insisted on its independent status at the time of the establishment of the Rezita-(Renk) mechanical engineering company in conjunction with West German capital. The firm's representatives rejected a proposal concerning the creation of a JV based on an enterprise which was already in operation inasmuch as this would, they believed, have narrowed freedom of action appreciably and forced in one way or another established plan quotas to be taken into consideration.

On the other, within the framework of a socialist economy which has not as yet moved all that far from the command-administrative model and being simultaneously excluded from the system of planned-directive relations as a consequence of their independent status, the JV encounter serious problems. Difficulties frequently begin in the phase of the construction of the work premises. For example, the "Roniprot" Romanian-Japanese enterprise for the manufacture of nutrient yeast based on crude oil ran into big difficulties in the acquisition of the building materials necessary for the construction of the plant since supplies thereof had not been envisaged by the 5-year plan. As a result the enterprise was commissioned 4 years behind schedule, which was a principal reason for the Japanese partner's (Dainippon) refusal to continue cooperation on the basis of the JV.

Similar problems are arising in a number of other European socialist countries also. They affect such spheres of the JV's current domestic economic activity as provision with equipment, raw material and semimanufactures and the pricing and sale of their products. For example, in accordance with the rules of law which have been enacted, the material-technical supply of the JV and sales on the home market are effected in principle on the same terms as for local enterprises (with the exception of, it is true, Romania, where the vast majority of local purchases and sales have to be effected in convertible currency). However, in practice, given the insufficient development of wholesale trade in producer goods and the hypertrophy of centrally administrated supplies for retail trade, this principle remains frequently on paper only. The JV are incapable of finding a place for themselves in such economic structures on their own and begin to demand special privileges from the host state.

In a number of instances the search for a partial solution of these problems in the initial period of the functioning of the JV, which is particularly difficult for adaptation, is conducted on the basis of the temporary abandonment of the formal registration of the venture as a legal entity and its incorporation within the system of the plan-economic operations of the local partner. Thus the Bulgarian-Japanese (Fanuk mashineks) venture (with the participation of the Japanese Fujitsu Fanuk and the Bulgarian "Mashinoeksport," "ZMM," and "IZOT") initially had the status of a partnership which was not a legal entity and only after a year did it separate from the enterprises of the Bulgarian partners.

The successful formation of the goals and program of activity of the venture which is being created and their precise orientation toward this specific requirement or the other of the national economic plans may sometimes be a particular guarantee of the successful integration of the JV in a centrally planned economy. For example, the rapid solution of many organizational problems associated with the creation of the ("Aveks") Czechoslovak-Dutch JV for the manufacture of VCR's was brought about largely by the fact that it fitted in with the long-term government program of the CSSR's economic development through 1995. The section of the program pertaining to home electronics provided for the creation of important production capacity catering for exports by way of the organization of a joint enterprise on the country's territory with the participation of a Western company.

However, such attempts to build JV into the planned economy do not go beyond the framework of palliatives. The real integration of joint enterprise in the socialist economy is possible only on the paths of the ongoing development of economic reform. We may cite as an example the agreement concluded in Hungary at the start of 1988 on the creation of a JV with the participation of a number of local textile and retail enterprises on the one hand and the well-known American jeans manufacturer Levi Strauss on the other. Under the conditions of the broad-based transfer to a market basis of the system of relations between the industrial enterprises themselves and their relations with retail trade this JV will acquire in accordance with contracts some of the cloth necessary for production from local sources and sell its products either on a contract basis via the local retail network or directly via the chain of its own department stores. It will also give out subcontracts for the manufacture of products with its own trademark (T-shirts, coats) to a whole number of Hungarian garment enterprises. It is such growth into local economic structures, a top manager of the Levi Strauss' European branch believes, which should "maximize the effectiveness of operations in Hungary."²¹

In the USSR the economic structures, which have only just begun to be transformed under the influence of the reorganization of economic structures and which still bear a considerable burden of command-administrative relations, do not as yet permit the JV to be independently built into the system of current economic relations. This will require purposive measures of state support for the JV in the period of formation of a full-fledged producer goods market. Serious disruptions in the supplies of raw material and equipment for such enterprises as the "Lenwest" (with the participation of a West German partner), "EKE-Sadolin" (with the participation of a Finnish partner) and "Igirma-Tairiku" (with the participation of a Japanese partner) show that these problems make themselves felt most strongly in the field of material-technical supply. "Problems of the setting up and organization of the operation of the Soviet-Japanese joint venture ("Igirma-Tairiku—A.B.)," PRAVDA wrote, "reflect as in a drop of water the difficulties connected with the break with the former administrative-command system of management

and transition to the new forms and methods of the development of socialist production."²²

Ways of Ensuring Currency Self-Support

The nonconvertibility of the currencies of the European socialist countries is making foreign economic transactions in general and the transfer of profits in particular highly complex and frequently conflict-ridden spheres of the activity of joint ventures. Touching on these issues, Western experts frequently complain about the allegedly compulsory nature of JV exports, which are undesirable for foreign partners since they compel them to create for themselves competitors on their own markets.

Generally, in none of the countries in question do the rules of law stipulate compulsory export quotas for the JV. At the same time in all these countries currency transactions are controlled. In this form or the other there are regulations governing currency self-support, which demand that all payments made by the joint venture in foreign currency be effected from its own currency proceeds. And inasmuch as the most obvious method of forming such currency funds are sales on foreign markets, the conclusion concerning the obligatory nature of export transactions is drawn.

It should be mentioned, however, that in a number of instances currency proceeds may also be secured on the basis on the home market of the host country. It is primarily a question of JV serving foreign tourists, diplomats, businessmen and so forth (hotels, restaurants, recreational complexes) and billing them for the services in freely convertible currency. The LIM enterprise (with the participation of the local LOT airline on the one hand and the American Marriott International Hotels and the Austrian Il Bau Construction on the other) for the construction and operation of a hotel, conference center and casino in Warsaw, which was formed in Poland in 1987, may serve as an example. As far as Romania is concerned, in accordance with current legislation, the JV must altogether realize all deals within the country (except for small purchases) in convertible currency.

Nonetheless, for the remaining, far more numerous, category of JV currency problems remain very complex. They encounter a need for foreign sales for the currency support of at least three basic operations: purchases of imported raw material, semimanufactures, equipment and technology; payment of currency credit; and, finally, transfer of the foreign partner's profits.

The simplest and, perhaps, most widespread solution is the sale of the JV's products to the foreign partner, who uses them in his own production or resells them on the home market and the markets of third countries. This version, when the JV produces semimanufactures based on the part or operation division of labor with Western firms completing the processing and manufacturing the

end product creates for partners from capitalist countries no difficulties in the field of competition.

It is no accident that special surveys carried out by Western experts in the European socialist countries show that "the joint ventures which have scored the biggest success were initiated by foreign investors, who saw local industries as a source of supplies of parts and material for their product and sales lines in the West."²³ We may cite as a recent example the venture set up at the start of 1988 in Yugoslavia with the participation of the Yugoslav Ljubljana "Slovenjales" association and the Italian CMS firm. Manufacturing equipment for the Yugoslav furniture industry, this JV will "earn" currency thanks to export supplies of units and parts to the Western partner.

At the same time Western corporations are consenting increasingly also to the acquisition of the JV's finished product for its resale, if the world markets are not unduly overburdened with this product. For example, in accordance with an agreement on the creation in Hungary of the ("Finnek-Khangeriya") enterprise (with the participation of the Finnish Tuomo Halonen firm and the Hungarian Dairy Industry Trust) for the production of equipment for the packaging of dairy products, Finnish component supplies will be effected in exchange for finished machinery, and the Finnish side will sell them on the markets of third countries, what is more.

Foreign participants in another JV on Hungarian territory for the manufacture of lysine (a protein feed additive) have undertaken to provide 88 percent of the convertible currency necessary for the corresponding capital investments, although the proportion of the share capital established for them constitutes only 35 percent (20 percent accrues to the two Japanese firms [Keva khakko] and Toyo [menka], and 15 percent to the International Finance Corporation [IFC]). The Japanese firms will acquire up to 50 percent of the annual production of lysine for resale on world markets and will, thanks to these currency proceeds, pay off the credit and interest and reimburse the large investment outlays of the IFC.

Supplies to the foreign partner (or resale given his brokerage) not only of products of the JV itself but also of other commodities produced by national enterprises of the host country are employed in a number of instances to ensure currency self-support. In Bulgaria this is provided for specially in rules of law.

In other socialist countries these questions are usually decided individually. Thus in Hungary the participation of the Foreign Trade Association as a JV shareholder has sometimes been used to expand the list of export products with reliance on the foreign partner's international sales network.

True, when the product of a joint venture begins to compete directly with the foreign partner's commodities on foreign markets, he endeavors either to take the JV's

export transactions fully under his control (as was the case with the Hungarian-Japanese venture producing all-purpose insulating and waterproofing material based on Japanese technology) or allocate foreign markets between the partners in advance with regard for the evolved competitive positions of each of them (the Hungarian-Swedish Monofarma venture for the production of a feed preservative). In some socialist countries joint ventures are allowed to purchase from the foreign partner's profit the necessary commodities on the local market, which may lessen appreciably the seriousness of currency problems. This route, specifically, was chosen by the American McDonalds in Yugoslavia.

Finally, a further distinctive method of solution of current problems is associated with the creation of a branch (or branches) of a JV in a country with convertible currency. This makes it possible to activate the international intra-firm transfer mechanism, which has long been employed efficiently by Western TNC, for currency maneuvering included. It is a question, of course, not of abuses in the sphere of transfer pricing but of the very techniques of payments, the legitimacy of whose use it is hard to question. Thus the joint company of the British Dunlop and the local Fadip manufacturing high-pressure industrial hoses located in Yugoslavia is setting up a branch in Austria specially to provide for the necessary currency proceeds.

The practice of the first JV formed on Soviet territory shows that a whole number of them is already employing various methods of solving the problem of currency self-support which have been put to the test in other socialist countries. Specifically, use is made of the sale of semimanufactures or finished products to the foreign partner for completion or resale (the Soviet-Finnish "Esi-finn"), the purchase of commodities on the Soviet market from part of the profits of the foreign partner (the Soviet-West German Burda-Moden) and sale of products or services of the JV to Soviet enterprises for freely convertible currency (the Soviet-American [STERKH-Avtomatizatsiya]). However, a one-sided orientation toward conventional exports is observed and far from all possible versions of a way out of currency difficulties are being used in the majority of cases.

Despite the considerably more flexible use of currency rules and the emergence of promising new approaches (including those provided for by the December [1988] decree: gradual transition to the use of a more realistic currency exchange rate for the ruble, simplification of the system of payments at the time of export-import activity and the introduction of the free exchange of enterprise currency fund resources, including the sale and purchase of these resources for Soviet rubles at agreed prices at currency auctions), currency self-support remains a principle stumbling-block in relations with Western partners in joint enterprise. A cardinal solution of this problem is directly connected with the prospects of the achievement of the convertibility of the national currencies.

The experience of joint enterprise with the participation of foreign capital in the European socialist countries is contradictory. On the one hand, despite the appreciable increase in the intensity of the emergence of JV as of the start of the 1980's, they occupy a more than modest place in the macroeconomic indicators of socialist Europe. Even per the most optimistic estimates, the sum total of accumulated foreign capital investments is not in excess of \$1 billion. In the European CEMA countries these investments have constituted approximately 0.25 percent of all capital resources attracted from international credit markets as of 1975. In other words, they do not as yet play a pronounced part in national capital formation. This is characteristic of Yugoslavia also, where the annual influx of foreign investments in JV fluctuates within the \$20-30 million range.

The situation is not much better concerning exports. According to available figures, the contribution of JV to the exports of Hungary and Poland (where the majority of such ventures are located) does not amount to 1 percent even. Neither the fears that "the international monopolies will choke national industry" nor hopes with the aid of "injections" of foreign capital of imparting an instant boost to the development of the national economy and cardinal rectifying currency matters have been justified.

On the other hand, no signs of disappointment with the activity of the JV are perceived in any of the countries in question, and nowhere is there any question even of a winding down of this form of foreign economic relations. On the contrary, governments' endeavor to enhance their "competitiveness" in the tenacious international contest to attract foreign investors shows through quite distinctly. This is manifested both in the consistent liberalization of legislation and in the increase in investments in the development of an infrastructure for the JV and so forth.

These measures are most closely connected, evidently, with the change in priorities in economic strategy, which is increasingly oriented not toward purely quantitative gross indicators of economic development but toward its qualitative aspects. Joint enterprise with its possibilities of securing world standards of the efficiency, organization and management of production and capacity for rapidly restructuring itself and reacting flexibly to the least changes in market demand could make a considerable contribution to the victory of the new economic thinking and radical reform of the economic mechanism.

But the reverse connection is obvious also. The national economic efficiency of the joint ventures themselves will be determined to a considerable extent by the successful development of the economic reform.

Footnotes

1. The attempts at an analysis of the specific experience of the PRC in this sphere would seem very interesting

also (see, for example, S.A. Manerzhev, "Use of Foreign Capital in the PRC," PROBLEMY DALNEGO VOSTOKA No 3, 1986).

2. BUSINESS EASTERN EUROPE, 1 February 1988, p 33.

3. THE CTC REPORTER, Spring 1987, p 53.

4. UN ECE Doc. TRADE/R. 527, 21 September 1987, p 9.

5. INTERECONOMICS, September/October 1984, p 248.

6. It is highly indicative that, speaking in October 1988, a U.S. State Department spokesman called on CoCom to keep a particularly close watch on the transfer of technology within the JV framework inasmuch as such agreements "presuppose the establishment of lengthy relations, and not a one-time sale" (FINANCIAL TIMES, 17 October 1988).

7. BUSINESS EASTERN EUROPE, 13 June 1988, p 189.

8. "Doing Business With Eastern Europe. Operating Techniques," BUSINESS INTERNATIONAL, September 1982, pp IX-5.

9. "Legal Aspects of Joint Ventures in Eastern Europe". Edited by D. Campbell, Deventer, 1981, p 14.

10. See, for example, N.N. Voznesenskaya, "Mixed Enterprises as a Form of International Economic Cooperation," Moscow, 1986, ch. 6.

11. See, for example, L. Grigoryev, "Let Us Become Shareholders" (MOSKOVSKIYE NOVOSTI, 21 August 1988).

12. N.N. Voznesenskaya, Op. cit., p 141.

13. Unjustified barriers at the time of the formation of JV have been reported, for example, by a Soviet member of the board of the "Sovplastital" Soviet-Italian venture, the general director of the French founder of the "Interquadro" Soviet-Franco-Italian venture and a representative of the Swiss Sandoz firm, which is a partner in the "Tavriya" JV.

14. See ECN EUROPEAN REVIEW (Supplement), December 1987, p 10; INTERNATIONAL MANAGEMENT, September 1987, p 30; THE ECONOMIST, 6 June 1987, p 70.

15. Even in Yugoslavia, where, in accordance with local rules of law, a foreign investor is not an owner of the JV's stock and acquires no other share-capital rights in relation to the venture, and the JV itself remains in terms of its status wholly national, this rule was preserved for many years.

16. "Joint Ventures as a Form of International Economic Cooperation," United Nations, New York, 1958, p. 39.
17. BUSINESS EASTERN EUROPE, 1 February 1988, p. 34.
18. For more detail see, for example, S.A. Vasilyev, "Economic Reforms in Yugoslavia: Trends and Results" (EKO No 4, 1988).
19. P.F.R. Artisien, "Joint Ventures in Yugoslav Industry," Aldershot, 1985, p. 96.
20. SOUTH, April 1988, p. 93.
21. BUSINESS EASTERN EUROPE, 14 March 1988, p. 83.
22. PRAVDA, 10 October 1988.
23. THE AMERICAN JOURNAL OF COMPARATIVE LAW, Summer 1984, p. 444.

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Reasons for Comparative Success of PRC Special Economic Zones
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No 3, Mar 89 pp 69-75

[Article by Igor Georgiyevich Doronin, candidate of economic sciences, senior scientific associate of the USSR Academy of Sciences (MEMO: "Special Economic Zones in a Socialist Economy")]

[Text] Special economic zones have long been known to world economic practice. They include free customs territories, duty-free zones, industrial-commercial zones, technical-pioneering zones and so forth. They are united by duty-free or privileged conditions of the import and export of commodities, a certain isolation in the economic, commercial and currency-finance respects from the rest of the territory, active interaction with foreign capital and close ties to the world market.

In the socialist countries the first special economic zones were set up on the frontier of the 1970's-1980's. The main goals of the zones were the attraction of foreign capital and advanced equipment and technology, the development of export industries, the introduction of progressive management methods and the training of skilled personnel.

The special economic zone concept depends on an understanding of what such a zone may do for the national economy under specific management conditions and in a given economic situation.

In the socialist countries there are two different views on the place and role of special economic zones in the national economy. The majority of experts of European socialist countries regard special economic zones chiefly as a means of stimulating foreign trade activity. Such zones may be created at sea and river ports and international airports, on main transport arteries and also in individual industrial areas for the completion of industrial products for export, the unloading, shipment and transshipment of imported commodities, the warehousing of goods which have not undergone a customs inspection and also the provisioning of ships and other means of transport at sea, river and air ports. Such activity is performed with the attraction of foreign capital, which is afforded special privileges. Nor are production operations precluded, but they are not yet developed.

Of course, the highly modest place of the special economic zones in the system of the European socialist countries' foreign economic relations may be explained by the fact that standard regulations governing their creation were adopted comparatively recently and that work is under way currently on the attraction of capital investments, the development of the zones and the formation of the appropriate infrastructure.¹ But there arises also the question of justification of the concept of the organization of such zones: is the area of economic activity allocated them not too constricted?

A different approach to special economic zones has been adopted in the PRC. From the first steps of the reform they have been regarded as a means not only of stimulating foreign trade activity but also developing industry in the areas which geographically and economically gravitate toward overseas industrial and commercial centers (Hong Kong, Macao and the Southeast Asian countries). Of the four special economic zones, two (Shenzhen and Zhuhai) have direct sea and rail communications with Hong Kong and Macao. The particular conditions of their functioning have made it possible to simplify customs and border formalities connected with the movement of transport facilities and freight shipments. The Shantou and Xiamen zones have taken shape as important commercial centers. All these territories were historically more closely associated with the foreign market than with China's interior regions. The status of special economic zones has broadened and intensified their foreign economic relations. Substantial state investments have been channeled thither. Management methods as close as possible to the conditions of the world market are officially tested here. The zones' economic development has been oriented toward the attraction of foreign sources of financing (foreign investments, loans and credit).

The activity of the special economic zones in the PRC has an international aspect also. The dynamic development of the economy of countries of the Pacific region is

bringing about pronounced changes in their export structure. As the countries and territories ascend to increasingly high levels in export trade, the significance of traditional exports is diminishing and open niches of a kind, which are being filled by the products of other countries and territories, are being formed. Thus South Korea and Taiwan are scoring successes on the automobile and VCR markets, affording extensive opportunities for the export of clothing, toys, consumer goods and home electrical equipment. China has latched onto this trend, and the export activity of the zones which are being formed is intended to fill the niches in the trade of countries of the region which have become available.

The concept of the creation of special economic zones of the PRC is constantly being reviewed and modernized. A policy of transition to a new stage of open foreign economic policy had been adopted by the mid-1980's. In 1984 the privileges accorded foreign capital within the confines of the special economic zones were extended to 14 important coastal cities and Hainan Island. They were also endowed with important rights in deciding questions concerning the establishment of ventures with foreign investment participation, and the cost of projects which the municipal authorities may approve without checking with the central authorities was increased. In addition, the cities were authorized the creation of "technical-economic development zones," foreign investments in which may be made on terms similar to the conditions in effect in the special economic zones. However, these privileges extend only to production enterprises developing new technology and new product types and also research centers.

Three open economic areas in the Yangtze and Zhujiang river deltas and also in southern Fujian Province were announced in 1985. It is contemplated creating here an economic complex oriented toward the production of export products with the attraction of foreign capital.

Finally, as of the mid-1980's China legalized the creation of enterprises belonging wholly to foreign capital, which previously could operate only in the special economic zones.

A key factor of the efficiency of the special economic zones is the combination of the interests of the state encouraging the zones' export activity and the interests of foreign capital. As of this moment there are unsolved contradictions here. The motive of foreign investment has always been the conquest of the market of the country in which capital is being invested. Preferential conditions, on the other hand, for foreign capital within the zones are designed primarily to ensure the competitiveness of the products on the external market. The external focus in the activity of the special economic zones reduces appreciably the interest in them on the part of foreign capital. At the same time, however protected the economic zone is against the domestic market, it remains the principal magnetic factor from the viewpoint of sales. Despite the fact that the sale of the

zone's products on China's domestic market requires the permission of the provincial committees administering the zones and that the goods themselves are liable to customs dues and are paid for in convertible currency, a considerable quantity of the products nonetheless reaches the home market, and this leads to an outflow of currency from the country.

Having begun with special economic zones, China gradually extended the practice of the granting of privileges and the formation of special management conditions to other areas and provinces, disclosing thereby their potential opportunities in the development of foreign economic relations. China intends, to judge by everything, to continue to pursue such a policy. The coastal areas which have acquired privileges in the field of foreign economic relations account for 51.6 percent of the product of the engineering and electronics sectors, 40.8 percent of the total number of those employed and 68.3 percent of the country's exports.² It is believed that from the viewpoint of the readiness of the infrastructure and production and business activity these cities are for foreign investors more attractive than the special economic zones.

Why did the broad approach to special economic zones, whose obvious advantages over the "free customs territories," "duty-free zones" and so forth are in principle beyond question, take root precisely in China? The country was evidently able to boldly step aside from dogma and adopt truly far-reaching measures pertaining to the creation of an adequate mechanism of management of foreign economic relations.

One notices, *inter alia*, the following fact: although each of them is at a different stage of economic reform, all the European socialist countries are characterized by a comparatively high degree of centralization of foreign economic activity. China, however, took the path here of the granting of great independence to the provincial and local administrative authorities, removing questions of operational control of the zones from the jurisdiction of the central government. Assemblies of people's representatives of the provinces have been accorded the right to formulate the regulations governing the corresponding zones. Special provincial committees have been endowed with the right of examination and approval of projects with the participation of foreign capital. They have been entrusted with the elaboration and implementation of plans for the development of the zones, registration of the industrial and commercial enterprises operating therein, the granting to them of plots of land, coordination of the activity of banking, insurance, tax, customs, border, post and telegraph and other establishments, provision of the enterprises which are being set up with manpower, maintenance of legality and order in the zones and the solution of general amenity and other questions. The central administrative authorities decide the strategic questions of the granting of tax concessions, determination of the customs and currency practices, border, public health and ecological control and so forth.

In the opinion of Chinese specialists, it has been possible to establish a relationship between economic instruments of the management of foreign economic relations and domestic cost indicators (prices, credit interest, tax rates). A single yuan exchange rate, which is adjusted with regard for changes in the level and proportions of domestic and world prices and the state of the country's balance of payments, has been introduced in the country, and an economically meaningful customs tariff operates. As a result a change in the price of the yuan influences the dynamics of exports and imports. Thus after the yuan was devalued 13.16 percent against the main capitalist currencies in July 1986, the country's exports grew 24.2 percent in the first half of 1987 compared with the analogous period of 1986, and imports declined 6.2 percent.³

The special economic zones have occupied a pronounced place in the structure of the country's foreign economic relations. However, this by no means signifies that there are no problems. Many of them turn not so much on the system of administration of the zones as on the question of the further development of the process of economic reforms. The problem of convertibility of the national currency is one of the main ones. The nonconvertibility of the yuan is imparting an enclave nature to the special economic zones, demanding special currency conditions for these zones and complicating their interaction with other parts of the country.

The task of attracting foreign capital for the industrial development of the territories and the enhancement of their export potential has been accomplished to a certain extent. As a whole, the four special economic zones account for approximately one-fourth of the influx of foreign entrepreneurial capital and approximately 3 percent of the country's exports.

It has been possible to attract foreign investors primarily by way of the granting to them of appreciable tax and other benefits. For this purpose China has been forced to revise considerably its policy in respect of foreign investments. In addition, the state has set aside for these zones large-scale appropriations for the creation of the necessary infrastructure. The ultimate goal of its policy has been in stimulating an influx of capital from overseas to achieve an expansion of exports. However, it has not yet been possible to "start the engine" of foreign enterprise in full since the increase in the influx of foreign capital into these zones is not yet producing an equivalent expansion of their exports.

Although the relative influx of foreign capital in the special economic zones is quite intensive, the geography and structure of the foreign investments are satisfying China far from fully. The vast majority of the foreign investments in the zones belongs to the huaqiao—Chinese living overseas. Inasmuch as a considerable part of their business is connected with commercial activity, this capital is not, as a rule, backed by industrial technology, yet it is this, according to the program goals,

which is to determine the nature of the activity of the majority of the zones. The relatively high activity in the zones, particularly in the first years that they were formed, was secured chiefly thanks to construction, to which state investments contributed.

An essential factor of the high business activity in the special economic zones has been the high rate of capital accumulation. Many owners of enterprises declare that they invest almost all their profits in an expansion of operations, equipment purchases, new construction and so forth. At the same time the rate of accumulation depends not only on the wishes of the entrepreneurs. It is determined by tax policy also. In this connection entrepreneurs of the zones are expressing fears that too rapid economic growth could increase the disproportions of the country's territorial development and ultimately force the central authorities to tighten taxation policy.

As a whole, the Chinese Government is carefully balancing the pluses and minuses of the functioning of the zones and trying to increase their contribution to the development of the country's foreign economic relations. Particular attention is being paid now to the establishment of the efficient functioning of the enterprises which have already been created in the zones and the collation of accumulated experience.

In the course of ascertainment of the factors of the improvement in the country's currency-finance situation in the mid-1980's in China numerous instances of abuse of special economic zone status were revealed. The state incurred big losses from, specifically, the profiteering operations of entrepreneurs, which became a public scandal, on Hainan Island, who in 1984-1985 imported a considerable number of passenger automobiles, television receivers, VCR's, motorcycles and other commodities in short supply on the Chinese market, which were resold in the country's interior regions at speculative prices. Foreign currency speculation became widespread.

All this forced the Chinese leadership to intensify centralized administration of the zones. The registration of special papers for imports into the zone became obligatory, the proportion of currency deductions to be obligatorily sold for yuan was raised and penalties for violating currency conditions were stiffened for the national enterprises operating here. At the same time the measures which were adopted did not restrict the provincial and local authorities' rights in the foreign economic sphere. The Chinese leadership's certain dissatisfaction with the state of affairs in the special economic zones did not cause a winding down of this form of foreign economic activity but, on the contrary, stimulated a search for ways to develop and perfect it.

The answer to the question of the place which the special economic zones will occupy in the country's economy in the long term will largely depend on the dynamics of their development. At least, the leadership of the zones

themselves believes that it is not structural changes in the world economy but the Chinese bureaucracy which represents the greatest threat to their future existence. In their opinion, party and economic executives both in the center and locally, who are themselves accustomed to deciding all economic matters, are continuing to hamper the expansion of economic methods of management. And although economic reform in the PRC is quite far advanced, such officials retain, as before, considerable power, nonetheless.

In the USSR the idea of the creation of special economic zones has been decided positively in principle. The draft USSR Customs Code includes the article "Free Customs Zones," which envisages the creation of such zones in the interests of assisting the development of foreign economic relations. It is intended granting the enterprises and organizations engaged in economic activity within them the benefits stipulated by the code and other legislative enactments of the USSR. At the same time, as practice attests, free customs zones are just one and far from the optimum form of special economic zones.

China's experience shows that the process of the creation of special economic zones requires a sober consideration of possibilities and their commensuration with current and long-term tasks and at the same time creativity and initiative, particularly at the local level. Three possible forms of special economic zones in the USSR would seem feasible in principle.

Free customs zones. An objective condition of their creation is the fact that important international transport and communications systems cross USSR territory: West Europe-Japan, Japan-Near and Middle East, Near and Middle East-West Europe. Naturally, it would be expedient to create such zones in sea and river ports, at international airports and on main transport arteries for the processing, transshipment and storage of freight being shipped across USSR territory. Soviet, foreign or joint transportation-forwarding companies and also freight-processing companies could operate in such zones. Preferential customs conditions and, possibly, other benefits also could be extended to the enterprises and organizations. At the same time the commercial-brokerage functions of the companies and organizations of such zones could be extended thanks to assistance to Soviet enterprises and organizations in the foreign trade sphere. It is a question of such services as completion of products to the requirements of world standards, packaging, sorting, presentation and advertising, that is, the operations which for this reason or the other are beyond the capabilities of or are unprofitable to Soviet enterprises or require knowledge of particular features of the market.

Free customs zones are one of the simplest forms of special economic zones employed extensively in world economic practice. Their significance in international trade turnover is quite appreciable. At the same time it is

essential to bear in mind that changes have been occurring in recent years in the commodity exchange structure thanks to the development of joint-labor relations, intra-firm exchange, direct relations and the expansion of the exchange of technology and S&T knowhow. The material-intensiveness of exchange is diminishing. There has also been a change in the modes of freight shipment thanks to the development of containerization, freight packaging and so forth. As a result the free customs zones are increasingly becoming transshipment points, and a considerable amount of freight bypasses them altogether. At one time the creation of free customs zones in developing countries boosted the development of production and their gradual transformation into industrial-commercial zones. Under present conditions the emphasis is increasingly shifting to the development of industrial-commercial activity. Thus although the formation of free customs zones will be an important step forward in the development of the USSR's foreign economic relations, their role should not be exaggerated.

Free industrial-commercial zones. The production and commercial activity of such zones is oriented toward specific markets and regions. The following areas, which geographically, historically and economically have gravitated toward different world markets, may be distinguished in the USSR. The Far East region, toward the market of Japan, the United States and Southeast Asian countries; the Baltic region, toward the North and West European countries; the Transcaucasus, toward areas of the Near and Middle East; the Central Asian republics, toward China and Near and Middle East countries.

The creation of free industrial-commercial zones on USSR territory would pose many questions connected with their activity, the system of the granting of privileges, formation of the necessary infrastructure, the attraction of foreign capital, provision with manpower and so forth. Each area in which such zones potentially could function has its own possibilities of their solution. Nonetheless, there are a number of features in common.

First, it is essential to link the activity of such industrial-commercial zones with the prospects of economic development of the given area of the country, contributing to the realization of its export potential. Such zones could primarily perform the function of docking component of the USSR's domestic and foreign markets. Shaping a structure of industrial and commercial activity isolated from the economy of the whole area would seem inexpedient. Initially, obviously, industrial activity would be of a narrowly focused nature and would concentrate on bringing export products up to the requirements of the foreign market. Appreciable assistance could be rendered by the attraction of foreign capital. It is essential that the zone's enterprises maintain organizational and economic relations with the suppliers of the products for export, rely on the potential of the region's enterprises and work with them in the "same key".

Second, the economic activity of the free industrial-commercial zones should be organized on principles of management which are as close as possible to the conditions of the foreign market. Specifically, it would be expedient enlisting specialists and workmen for the zone's enterprises generally on a competitive basis. Foreign entrepreneurs could be guaranteed the right to themselves choose the personnel. Candidates should be selected on the basis of competitive examinations, and enterprise management should be accorded the right to determine for the workmen a 3-6-month trial period. There should be recognition of the enterprise management's right to dismiss workers and employees the need for whom disappears in the event of changes in the production process or those who fail to match up to professional requirements. It would be useful also for the construction of the enterprises, installation of facilities of the infrastructure and the refitting of the enterprises to be effected on a competitive basis with the enlistment of Soviet and foreign design, contract, construction and other organizations. An important part here could be played by the organization of contract competition. It would also be advisable to construct the production relations of the enterprises and organizations on a competitive basis, like the attraction of financial resources as well.

Third, it is important that the foreign capital in the special economic zones have a far higher degree of freedom than on the rest of the country's territory. It is a question of the right to create enterprises which are owned entirely by the foreign partner, foreign specialists' unlimited participation in the management of joint ventures and so forth. The various tax concessions granted enterprises within the zones should be appreciably more wide-ranging than for joint ventures outside of such zones. They could extend both to foreign and Soviet enterprises to an equal extent here.

Fourth, it is essential to resolve questions of control of the activity of such zones. There are currently in international practice two models of control of the industrial-commercial zones—centralized and chiefly decentralized.

The choice is brought about by a set of factors. An important part is played by the size of the territory, the incorporation of this area of the country or the other in the system of foreign economic relations, the territorial-sectoral principles of management which have taken shape, the specifics of regional financial autonomy and so forth. Considering the dimensions of USSR territory, the proximity of a number of regions to various foreign markets, each of which has its own specific features, and also the singularities and problems of the regions themselves, chiefly the decentralized management model would seem expedient.

Questions of territorial management, the financially autonomous independence of the territories and regions and the optimum combination of sectoral and territorial management have yet to be resolved at the present time. Within a territory the biggest enterprises are subordinated, as a rule, not to local but central management

authorities. The territories further lack sufficient independence in the sphere of foreign economic activity. For this reason a system of management of the free industrial-commercial zone at the present stage of the economic reform would obviously be chiefly a centralized nature. At the same time it is necessary even at this stage to provide for the creation within the framework of this region or territory in which the special economic zone is being formed of a regional authority to administer this zone subordinate to the local authorities with the subsequent gradual transfer thereto of some of the powers of the central administrative authorities.

Fifth, it would be expedient for industrial-commercial zones in the USSR to operate under currency enclave conditions, that is, all payments would be made in foreign currency on terms dictated by the international money markets. A realistic rate of the Soviet ruble in relation to foreign currencies would be essential for supporting such payments.

The economic expediency of the creation of special industrial-commercial zones on USSR territory should ultimately be determined by the extent to which this new form of foreign economic activity would contribute to the increased efficiency of production and trade, an acceleration of S&T progress and a growth of product competitiveness. Their organization would seem an important means for honing new management methods not only within the zones themselves but also via the system of economic relations with enterprises within the country on the rest of the territory of the Soviet Union. It is clear also that the formation of such zones in itself is incapable of securing qualitative changes in the economic mechanism. The zones are not an alternative to the economic reforms—the opposite, rather, they will make new demands on the process of economic transformations.

The problems of industrial-commercial zones are primarily a question of the readiness of our internal economic mechanism and the presence of the necessary conditions for their efficient activity. Consistent accomplishment of the tasks in the sphere of the expansion and intensification of the effect of the principles of financial autonomy at the enterprises, within the framework of a territory and region, wholesale trade in producer goods, reform of the system of pricing and taxation, improvement of the financial and credit system—all these are necessary conditions of the new economic mechanism. Connecting links of this mechanism with the international mechanism are a realistic ruble exchange rate, customs dues, taxes, foreign trade credit and so forth. The absence of an effective relationship of internal and external cost indicators is a serious obstacle to the development of any forms of foreign economic relations, of special economic zones included.

Free Technical-Pioneering Zones. An increasingly science-intensive nature is attached to modern foreign economic relations. Attempting to edge one's way onto

the world market with traditional products, however well-made, would seem a rather futile occupation. At the same time, however, the world market is highly receptive to fundamentally new products containing new ideas and designs. It is primarily a question not of the copying and reproduction of the best overseas models but of products which are new to the world market. Experimental-design facilities, pioneer enterprises for the manufacture of pilot models, enterprises for the production of small series and series production and a service network are needed for the creation of such products. Difficulties concerning the realization of new designs currently continue to arise from literally the first steps. The present economic mechanism is oriented, as before, toward the manufacture of products which have already been assimilated to the limit of capacity and for this reason rejects all innovations. The sluggishness of production for science is, in turn, hampering the intensity of research and the creation of new instruments, apparatus and progressive processes. The absence of small, rapidly reorganizable works capable of apprehending new ideas and catering for the manufacture of modern complex products, components and units is being perceived increasingly clearly. The formation of large-scale intersectoral S&T complexes for an acceleration of S&T progress is not, on the whole, justifying the hopes placed in them. Cooperatives, many of which lack the proper production facilities, are now beginning to fill the vacuum. They are "magically" making small consignments of the latest products at "magic" prices.

More than in any other sphere, international cooperation has a great role in the field of S&T progress. It makes it possible to take advantage of foreign experience and win recognition of national scientific achievements on the world market. There are currently examples of how in cooperation with Western firms it has been possible to accelerate the creation of qualitatively new products in which Soviet designs have been employed (a coal combine capable of working on thin seams, a converter which can work entirely on scrap and so forth).

At the present stage of the economic reform in the USSR the creation of pioneer enterprises and their active interaction with the foreign market presupposing joint work with overseas firms would afford an opportunity not only for an acceleration of the manufacture of new types of product but also for verification of the possibility of the practical use of available national S&T process stock and the evaluation based on the competitive selection of novelties of their prospects on the world and domestic markets.

Such enterprises could constitute the basis of free technical-pioneering zones with special conditions of regulation of their economic activity, an investment climate, an established procedure of technology transfer, the appropriate conditions for the work of specialists and so forth. Their creation in proximity to universities and research centers would permit the effective filling of the current

vacuum between science and production, which is essential for an acceleration of S&T progress in the country.

As foreign, including Chinese, experience shows, the creation of special economic zones requires a constant search for new approaches and nonstandard solutions. It is necessary to consider also the problems and difficulties which inevitably arise with the introduction of a form of foreign economic relations which is new to us. Nonetheless, considering the considerable potential which these new forms of cooperation contain, they merit the right of experiment.

Footnotes

1. An edict on the creation of duty-free zones has been passed by the State Council in Bulgaria (1987), the creation of a free customs territory has been authorized by order of the minister of finance in Hungary (1982), and in Romania, by a decree of the State Council (1978), in Yugoslavia, according to a law enacted in 1985, the free customs zone is a part of the country's territory with particular conditions of activity, debate has resumed in Poland on the creation of free economic zones in connection with the start of the second stage of the economic reforms, and special economic zones were formed in China on the frontier of the 1970's-1980's.

2. INTERTRADE, May 1988, p 8.

3. See INTERTRADE, January-February 1988, p 23.

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[Text] Some 191 joint ventures with the participation of foreign partners had been registered in the USSR as of 1 January 1989. The total value of the fixed capital amounted to R1,009,200,000, foreign participation, to R378.7 million (37.5 percent). Four major sectors are distinguished in the sectoral structure of joint enterprise: manufacturing industry, services, fishing and the agrarian sphere. The first accounts for R728.1 million of capital investments (72.1 percent of the total) and 84 JV (44 percent of the total). In the manufacturing sector the leading positions in terms of the scale of investments are occupied by mechanical engineering industry—R322.6 million (32 percent)—chemical industry—R161.9 million (16 percent)—and electrical engineering and electronics industry—R124.5 million (12.3 percent).

The service sector accounts for R227.6 million of the fixed capital (22.6 percent of the total) and 95 enterprises (49.7 percent of the total). An important place here belongs to business technical services, including software

production, engineering—R112.8 million (11.2 percent)—and also trade and advertising—R39.4 million (3.9 percent)—and also hotels—R20.7 million (2.1 percent). Fishing (catch, production and processing of fish and other marine products) concentrated R51.9 million of capital investments (5.1 percent) and only 9 enterprises (4.7 percent). The agrarian sector accounts for even less—R1.6 million of investments (0.2 percent) and 3 JV (0.2 percent) (calculations of A. Berezhnoy).

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Experience of UN Economic Sanctions Against South Africa

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[Text] Solution of the problem of the survival of mankind is possible by way of the realization by the world community of the idea of all-embracing international security presupposing under conditions of disarmament the transformation of the modern world from a bipolar to multipolar world. The development of universal "safeguard" mechanisms of the peaceful settlement of international disputes and conflicts and the increased role of international organizations, primarily the United Nations, in the affirmation of the primacy of international law and organization of the use of its instruments would inevitably be required for the coordination of states' interests in such a world.

All-embracing mandatory sanctions are today the strongest coercive measure of pressure of a peaceful nature, that is, unconnected with the use of armed forces, which the United Nations may apply.

The unique experience accumulated throughout almost three decades in the course of the wide-ranging international campaign for the use of this measure against the racist South African regime enables us to examine the question of the fruitfulness of sanctions, the effectiveness of UN activity in this sphere and, finally, of whether the universal international organization possesses realistic possibilities of making full use of the existing statutory instruments for settling regional conflicts.

The incompleteness, complexity and contradictory nature of the movement for the imposition of sanctions against South Africa (both within the UN framework and in the world arena) provides much reason to doubt

the prospects of an increase in their "usefulness factor". Unity of political will of the members of the international community and, what is particularly important, the readiness of South Africa's main trade and economic partners, which include three permanent members of the Security Council, to comply with the corresponding UN decisions are essential for realization of the idea of mandatory sanctions for a solution of key political problems of Southern Africa. The United Nations today simply lacks other possibilities and mechanisms for its realization.

However, the veto of the Western powers, primarily the United States, on the question of sanctions against South Africa in the Security Council—the sole body empowered to adopt the appropriate decision binding on all members of the international community—is now essentially traditional. Use of the principle of "power against the majority" on the part of the West has become an automatic brake virtually blocking the possibilities of the application of all-embracing sanctions against South Africa.

On the other hand, the "first-generation" sanctions, implemented in accordance with General Assembly recommendations in the 1960's, and, particularly, the Security Council's adoption in 1977 of Resolution 418, unprecedented in the history of the United Nations, establishing a mandatory embargo on arms supplies to South Africa and banning any cooperation with the racist regime in the manufacture and development of nuclear weapons, failed to halt the process of South Africa's militarization and its buildup of its military and military-technical power. Of course, the imposition of the embargo and South Africa's fears concerning the extension of this measure to oil supplies contributed to the accumulation of economic difficulties in the apartheid state. They forced the South African Government to engage in heavy spending on the development of its own military industry and to speed up the creation of new plant capacity for an increase in the production of oil from coal. Nuclear power was developed for the purpose of reducing the role of oil in the country's energy balance. All these were costly projects with low macro-economic profitability, whose implementation lay as a heavy burden on the economy.

The development of events in the world and the region showed that in itself the adoption of Resolution 418, given the absence of an effective mechanism of realization of its provisions based on the support of all members of the international community, does not guarantee strict compliance with the arms embargo. Throughout the last decade serious breaches of UN Security Council decisions, including those on the part of its permanent member Western powers which voted for Resolution 418 primarily, have been incessant.

The compromise UN Security Council decisions of the 1980's on problems of the militarization of Southern Africa, which were of a recommendatory nature,

reflected the stubborn endeavor of Western countries to prevent a weakening of South Africa's military power and to use it against the national liberation movement in the region and the broadening of its support internationally. Of the whole set of measures elaborated in the United Nations for the purpose of elimination of the breaches of the embargo on arms supplies to South Africa, only a negligible part of them was reflected in the Security Council decisions. As a whole, the progress of implementation of the provisions of Resolution 418 and also the oil sanctions imposed by a number of states in the 1970's showed the weakness of the mechanism of implementation of UN decisions. All this has afforded the opponents of sanctions an opportunity to propagandize extensively the proposition concerning their futility, and the supporters of their imposition, to accuse the West of the fact that its policy is impeding the use of compulsory measures as an instrument of the elimination of apartheid.

There has been a considerable change in the situation in the latter half of the 1980's. Under the pressure of national and international movements against apartheid a highly impressive package of sanctions imposed by the capitalist states on a selective, voluntary basis has been added to the embargo on arms supplies and the ban on nuclear cooperation with South Africa and oil sanctions in effect. The totality of these "second-generation" selective sanctions encompasses such important measures of economic pressure as a ban on new capital investments and the granting of export credit and new government and private loans, the suspension of agreements with South Africa on the prevention of double taxation, the renunciation of sales of computers for South Africa's armed forces and security services, the suspension of all official export contracts and imports of vegetables, fruit, sugar and other farm products, pig iron and steel, coal, uranium, gold coins (Kruggerands) and other industrial commodities, particularly means of transport and engineering products, the winding down of air and sea communications and the promotion of tourism in South Africa and also other measures of a socioeconomic, diplomatic and political nature aimed at isolating South Africa in the international community. The United States and such organizations as the EC and the Commonwealth, the North European countries and a further 10 European states, including France, Britain and the FRG, and also Canada, Australia and New Zealand, Japan, Brazil and others are participating in various voluntary sanctions.

The imposition of sanctions on an official basis is being supplemented by similar measures implemented at the nongovernment level. Certain sections of industrial and financial circles, the (MNPO) and national public and other organizations are taking part in them. They are staging antiracist actions mainly in the form of support for and adoption of the sanctions proposed and recommended by the United Nations, political protest campaigns, consumer boycotts and measures of an antiracist nature at local authority, educational institution and other levels. Such public measures have come to be called "public sanctions".

Despite the limited nature of the "second-generation" sanctions, we can hardly agree with the opinion very extensively represented in the world press and scholarly research concerning their frequently symbolic nature. The growth of the package of sanctions, including those set in motion in the 1970's, cannot fail to be reflected in the expansion and intensification of the consequences of their application. A mechanism of their impact on the South African economy manifested in disturbances of the normal course of the reproduction process and the changes in the positions and forms of participation of foreign corporations in the country's economy and the ruling regime's relations with monopoly capital has begun to take shape.

Trading restrictions even in their present form have caused South Africa serious economic difficulties. The coal, uranium and steel industries, which have been forced to cut back production considerably and redouble efforts in the search for new sales markets, have found themselves in a difficult position. In 1987 losses from the reduction in exports to nine Western countries amounted to \$1.2 billion. The so-called bonuses to suppliers for sanctions-busting are ruinous also. They amount to 50 percent of the commodity's conventional price when it is a question of imports of arms and modern equipment.

In addition, the "golden" period for South Africa has sunk into oblivion, and the country's economy is no longer capable of generating a high growth rate inasmuch as international business' crisis of confidence in respect of Pretoria has assumed a protracted, structural nature. Whereas in 1982-1984 the payments on loans acquired by South Africa reflecting to a certain extent a "guaranteed" timeframe for the apartheid regime's existence programmed by finance capital were distributed as follows: 32.6 percent before 1983, 43.2 percent in 1988-1990, 21 percent in 1991-1995 and 3.2 percent in 1995-2005,¹ foreign banks' refusal to grant South Africa new loans in August 1985 and their demand that the debt be paid off have created a difficult problem of the reverse attraction of bank capital. This is an entirely new situation for the country creating the possibility of the emergence of a situation whereby, in the event of a tightening of sanctions, South Africa would be forced to halt payments on the national debt. And although its government is scrupulously meeting its foreign debt payment obligations on the terms of two interim agreements with international bank creditors, the former serene relations with finance capital are a thing of the past. The net (not counting reserves) outflow of capital from the country in continued 1987, although it had slowed compared with the two preceding years: \$1.6 billion compared with \$3 billion in 1986 and \$4.6 billion in 1985.²

The "second-generation" financial sanctions, which have highlighted a vast zone of South Africa's vulnerability—the balance of payments (more precisely, the part thereof which reflects the movement of capital)—have played a

considerable part in the accumulation of economic difficulties in the country, and their effectiveness has been manifested in the significant scale of disinvestment and the supercautious behavior of the international banking sector and certain echelons of local business circles. A striking manifestation and at the same time catalyst of the loss of confidence was, specifically, the withdrawal from South Africa of two of the oldest British banks (Barclays and Standard Chartered), the political damage from which may be considered the equivalent of that caused by all the American disinvestments put together.

The selective sanctions have also given rise to the development of a number of very important specific phenomena in South Africa's social and political life. First, the sale by foreign corporations of their stock to South African shareholders has had as its consequence a growth of the property of the South African bourgeoisie. However, the increase in fictitious capital in the hands of local employers has not been accompanied by an increase in real assets in the country's economy and could hardly, for example, compensate for the withdrawal from South Africa of almost half the American corporations. Second, the disinvestments, together with the bankruptcies caused by the abrupt weakening of the economy, have been the cause of an acceleration of the concentration and centralization of capital. Thus in 1987 three industrial South African giants—the Anglo-American group, (Sanlam) and Barlow Rand—raised the extent of their control to 76.4 percent of the shares registered on the Johannesburg Stock Exchange. In a British journalist's colorful expression, whereas in 1979 Pieter Botha was forced for a meeting with the leaders of South African business circles to lease the Carlton Hotel, at the start of the 1980's he could have accommodated them at his dinner table, and in the mid-1980's, at a card table.

Third, the wave of "second-generation" sanctions and the misgivings it has aroused in the face of the loss of export and import markets and the disinvestments of foreign capital are forcing South African business circles to study closely versions of the so-called endogenic, that is, based on domestic forces and resources, development of the economy. The very formulation of this problem immediately clearly illuminated the obstacles in the way of its solution: the colossal unemployment of the black population in excess of 5.5 million⁴ and the concentration of the overwhelming proportion of income in the hands of the white minority. According to a prominent economic expert in South Africa, these phenomena represent a "time bomb," and big business should have attended to it 20 years ago.

Finally, in order to find a way out of the current situation the government, which is forced to incur big military spending, maintain a colossal machinery of repression and sustain losses inflicted by the political and economic resistance of African working people, has found itself no longer capable of maintaining an inflated, strategically

important, but inefficient public sector of the economy. Under these conditions it has attempted to create so-called "Bothanomics".

This is a new development strategy, which, as distinct from the previous one, puts the emphasis not on the public but on the private sector and not on administrative methods of management of the economy but on a free play of market forces. The regime is attempting, given preservation of the apartheid system, to at the same time afford the effect of the law of value on the capital and manpower markets greater scope, that is, to combine the incompatible.

The economic growth rate accelerated markedly in South Africa in the final quarter of 1988.⁵ This enabled many politicians, both South African and Western, to once again make statements concerning the ineffectiveness of selective sanctions and concerning South Africa's capacity for enduring under the conditions of a tighter blockade also. However, in practice the acceleration of economic growth has engendered and highlighted additional difficulties testifying to the growing domestic economic instability of the apartheid regime. The increase in the economy's growth rate has been a factor of the increase in imports. Experiencing misgivings in connection with the state of emergency and the instability of the rand, the public has been exhibiting increased demand for imports. There has been increased demand for imported producer goods also. As a result the rate of growth of imports has exceeded the increase in exports, which has increased the difficulties of maintaining a deficit-free balance of current transactions with foreign countries. In the first quarter of 1988 the surplus foreign trade balance had declined from 7 to 3.4 billion rand compared with the same period of 1987.⁶

Under regular conditions the current situation could be considered natural inasmuch as it reflects all in all the economic recovery. The public, starting to obtain more income, endeavors to use it to acquire durables and higher-quality goods. The increased spending on modern imported equipment is natural also. Such demand may be covered by income from exports, but if they are insufficient, the deficit is made good thanks to an influx of capital, primarily new private investments, the growth of which is brought about by the fact that foreign corporations endeavor to avail themselves of economic conditions taking shape in a propitious manner.

An influx of capital may be secured also thanks to foreign loans, private and government, the attraction of which makes it possible to close the gaps in the current transactions balance. If signs that external sources of financing have dried up appear, but imports, spurred by the high economic growth rate, continue to increase, these signs become a signal of the so-called "overheating" of the economy. In order to "cool" it the authorities apply traditional pressure methods: they increase taxes and limit access to credit, reducing personal and investment consumption. The consequence of

this is an easing of the rate of economic growth, imports are brought relatively into line with exports and the need for a new influx of foreign financial resources is reduced.

However, the situation which has taken shape in South Africa is far from normal. Even under regular conditions its economy is heavily dependent on foreign relations: exports of gems and metals and also mineral raw material and industrial products and on imports of consumer and capital goods. In the mid-1980's the world markets of many types of mineral raw material were in a state of crisis, and added to this for South Africa were the sanctions which had complicated exports of such commodities of such importance to it as gold coins, coal, steel, pig iron and certain types of farm products. As a result imports began to increase considerably more rapidly than exports.

This would have been no great disaster had it not been for the disinvestments and the prohibitions on new capital investments imposed by a number of Western states which had begun. Deprived of the possibility of confidently relying on imports of private entrepreneurial capital, South Africa cannot fully compensate for these losses by means of the use of international credit: both the official prohibitions on the granting of new loans and the policy of the West's private banks, which are unwilling to grant South Africa, its government particularly, new loans for fear of being deprived of their capital in the event of the collapse of the apartheid regime, are taking their toll.

In addition, the South African authorities have been forced to save export proceeds to comply with a 3-year agreement signed with foreign banks in 1987, in accordance with which they undertook to pay off before June 1990 some \$1.42 billion of the \$13 billion of the foreign debt which they froze in August 1985. Besides, South Africa has undertaken to pay off even more than the \$13 billion in order to fully service its entire foreign debt (in August 1985 it amounted to \$24 billion, and in the first quarter of 1988, to more than \$20 billion).⁷

As a result only a few months from the start of the acceleration of the gross domestic product growth rate had elapsed before the South African authorities were forced to "cool" the economy in order to restore the balance, which had begun to crumble, between imports and exports inasmuch as they have no alternative to this for improving the balance of current transactions with foreign countries. Highly indicative also is the fact that the curbing of the long-awaited economic growth has occurred against a background of the decline in per capita income and the overall unpropitious state of the economy, which had lasted for the preceding 5 years. In the period 1983-1987 the GDP increased only 4.6 percent (in current prices), the population, 13 percent, while investments in fixed capital declined 31 percent.⁸ The authorities were left with no other means of avoiding a crisis than continuation of the policy of curbing the rate of economic growth. However, this also promises the

country new social upheavals: after all, merely to prevent an increase in employment it needs an annual increase in the GDP of 4 percent, whereas, according to forecasts, South Africa's economic growth rate in 1988 was not to have exceeded 2.5 percent.⁹

There was, possibly, another solution—suspending the debt payments at a price of the even greater loss of the bankers' trust—but of the two essentially impasse options, the somewhat less painful one was chosen.

As a result the government had to take the path of economic reform. Its purpose is not only the recovery of the balance of payments but also the surmounting of the crisis of the economic structures of apartheid, the main symptoms of which are the reduced macroeconomic efficiency of capital investments and the low economic growth rate connected with this. In March 1988 the government announced its intention to privatize the bulk of state corporations, ensure freedom of development for the private sector and pursue a policy of strict economies in budgetary resources. It hopes by means of these measures to enhance the efficiency of the new capital investments and those made earlier, accelerate on this basis economic growth, slow down inflation, pay off the national debt, enlist the black population extensively in entrepreneurial activity, raise its employment level and thereby ensure a rise in the living standard and a lowering of the intensity of the political struggle.

It is not inappropriate to recall in this connection the truth that in operating on a cancer patient it is inexpedient to remove only part of the tumor. Having put the emphasis on fuller satisfaction of the economic requirements of the black population, the government is closing its eyes to the fact that its reform will require multibillion-dollar capital investments and a lengthy period of their problematical recoupment. Even according to official estimates, it will be more than 10 years before Africans' living standard may be increased in any way noticeably.

Economic reform alone is insufficient for overcoming South Africa's crisis, and in itself, unsupported by political transformations, it is doomed to fail, if only because apartheid deprives it of a principal condition of success—the freedom of movement of capital and manpower both between sectors of the economy and between various parts of the country. For this reason a set of measures incorporating the radical democratization of political life and wide-ranging social programs capable of bringing independence, freedom and security to the entire population of Southern Africa is essential.

However, if the negative consequences for the apartheid regime of sanctions are growing and the regime itself is incapable of countering them either through the implementation of economic reforms or the use of measures of a foreign policy nature, what in this case are the aims of their imposition by the Western powers? Are the sanctions solely the result of the victory of the forces of

national liberation or can a certain concurrence of interests and field for compromise in respect of the elimination of apartheid be seen here?

A comparison of the sanctions imposed by the Western powers and South Africa's foreign trade structure testifies that these sanctions are not damaging the key sectors of South Africa's economic potential and are not aimed primarily at undermining South Africa's military-economic power. It is sufficient to say that all the EC sanctions against South Africa affect only a little more than 5 percent of South African exports to the European Community countries, with the proportion of the imports from South Africa of the six EC members which are among South Africa's 10 biggest trading partners constituting in 1985 some 46 percent of their value.¹⁰

The "uranium" sanctions reflect to a greater extent the exacerbation of the situation on the world market than an endeavor to undermine the foundations of the racist regime. As far as the ban on the sale of Kruggerands is concerned, here also the losses of the racist regime are being made good both by the preservation of the overall level of sales on the world gold market and increased demand on the home market. The same selective approach is observed also in the choice of other types of voluntary sanctions which are being imposed. For example, the ban on imports into the United States of South African farm products has affected only 2.5 percent approximately of their total exports to this country, while the EC, which consumes 74 percent of the export of agricultural commodities from South Africa, has not imposed sanctions on purchases thereof. Sanctions on imports from South Africa of pig iron and steel (13 percent of exports thereof to the United States, 4.4 percent, to Britain) have been of the largest scale. However, this measure on the part of the United States, the EC and Japan is largely explained by the general unpropitious conditions in metallurgical industry in recent years.¹¹

A direct connection between their own economic interests and the imposition of sanctions or a renunciation thereof can be seen also in the fact that the Western sanctions have not been extended to supplies to South Africa of machinery, equipment, transport included, and chemical industry products constituting altogether just under 80 percent of the total value of South Africa's imports: Western capital has too great an interest in preserving sales markets for these commodities. Thus six Japanese TNC control in South Africa 40 percent, and U.S. TNC, 23 percent, of the passenger automobile market, and U.S. corporations control 75 percent of the computer market and more than half the supplies of aircraft and turbines to South Africa. Whereas the ban on new capital investments in South Africa imposed by the R. Reagan administration affected approximately 300 American companies, a suspension of imports into South Africa would have affected the interests of approximately 6,000 American corporations.¹²

The West's policy aimed at imparting to sanctions the nature of voluntary political actions exercised outside of the UN framework had also led to ways of circumventing these sanctions having been virtually programmed in them. South Africa is being afforded an opportunity to adapt to the new conditions of its economic relations with the outside world.

This is being secured mainly thanks to the use of third countries as intermediaries in the organization of economic relations with South Africa, although numerous instances of a breach of their own voluntary commitments proclaimed by the Western powers in respect of the apartheid regime are not ruled out either. Supports for both South Africa and for its partners in this respect are Taiwan, Hong Kong, South Korea and certain others in Asia, primarily Israel in the Near East, Switzerland, which has become a principal banker of South Africa, in Europe and a number of regimes in Latin America and even in Africa. Thus Japan has essentially ruled out the mandatory element for private capital in the sanctions which it has announced and, not in practice imposing punitive measures when they are breached and also not extending the demands concerning a limitation of relations with South Africa to the activity of Japanese firms in third countries, has become a leader of commercial cooperation with the racist regime.

The reaction of private capital to the imposition of voluntary sanctions on the part of governments and the exacerbation of the situation in South Africa has combined both concessions to public opinion¹³ and an endeavor to take preventive action to avert losses in the event of nationalization, given the collapse of the apartheid regime, and simultaneously to safeguard the command of sales markets and the resumption of activity in South Africa thanks to having secured the right of redemption of the enterprises, the transition to license means of trade with preservation of the possibility of the export of profits and so forth.

It is known, for example, that the fact of the withdrawal of General Motors from South Africa, which was extensively publicized in the West, represented essentially the forced liquidation of unprofitable enterprises, the value of the sales of whose products constituted less than 0.5 percent of its total sales on the world market. General Motors had prepared for the withdrawal in good time: back in 1977 it had begun to draw up plans for winding down its activity in the country in the event of civil war.¹⁴

According to the journal *THE ECONOMIST*, of 23 surveyed American companies which had quit South Africa, 14 were sold to South African corporations, 5 to foreign firms in South Africa, and 3, to other American companies, one of which was subsequently liquidated. For the purpose of preserving the South African market for the sale of electrical goods and electronic equipment for its enterprises in the United States the General Electric affiliate discussed 42 draft agreements on the

sale of its plant in South Africa. Some 155 of the 3,107 foreign companies operating in South Africa withdrew capital investments in the period 1984-1986, that is, only 5 percent; 30 of them were sold to the managers, and 70, to South African enterprises. As of mid-1987 fewer than 200 companies, of which 150 were American, had quit South Africa.¹⁵

Both the "departed" foreign companies and those which have remained in South Africa make extensive use of propaganda and charitable activity for the purpose of strengthening their positions among the African working class and are endeavoring to persuade it that foreign capital in South Africa is not participating in strengthening the political foundations of apartheid. Representatives of foreign big business in South Africa have emphasized publicly and repeatedly that they support the demands for the release of political prisoners and negotiations with the ANC, the lifting of the ban on its activity and the abolition of all segregation laws. The leading Western TNC in South Africa set aside considerable resources for philanthropic organizations using them for Africans' education, housing construction in African townships and so forth.

The capitalist countries have imposed sanctions discretely, in small doses and on the basis of a careful consideration of their consequences for their own interests. The dragging out of the process of the imposition of sanctions and the minimization of their scale have made the already complex question of the effectiveness of sanctions even more confused. This testifies that in themselves sanctions as an instrument of outside pressure on the internal situation in the country do not preclude considerable differences between the aims of their imposition ensuing from the corresponding provisions of the UN Charter and the position of a majority of the world community on the one hand and the aims of the Western powers, on which the strength and amplitude of compulsory measures in respect of the apartheid regime primarily depend, on the other.

The scale and fields of the selective sanctions testify that they are being used by South Africa's trading and economic partners as a multi-purpose tactical weapon. Sanctions are for the West a balancing instrument in relations with the developing world, internal and external anti-racist forces, African resistance to apartheid and with the socialist countries. In the last field here the sanctions issue is seen from the viewpoint of the protection of strategic interests seen chiefly from the standpoints of East-West confrontation. Finally, voluntary sanctions reflect the attitude of the Western powers, primarily the United States, toward the United Nations and their endeavor to concentrate control of the development of the situation in the region in their own hands (whence the veto in the UN Security Council). But the main thing in the sanctions of the 1980's is that they are, for all that, the West's recognition of the objective fact that at the present time the crisis

in Southern Africa has become exceptionally serious and has put on a practical footing the question of a change in the existing orders there.

Thus voluntary sanctions, granted all their contradictoriness and ambivalence, have created and will continue to create big difficulties for the apartheid regime. Of course, they cannot in themselves force the Pieter Botha government to radically reconsider its policy but they are quite effective as a signal of the need for transition to radical democratic reforms in South Africa for the purpose of the creation of a united nonracial state and as a warning of what all-embracing mandatory sanctions could bring if the international community ventures to take this extreme step.

The explosion of internal resistance to apartheid of 1984-1986, the growth of the joint actions of the anti-racist forces at all levels (national, regional, international) and, finally, the world community's extensive recognition of the demands of the national liberation movement concerning the elimination of apartheid (as one of its subjective political characteristics) as a global aim of international development were required to make the voluntary selective sanctions a reality. As a counterweight to the application of all-embracing mandatory sanctions, which could accelerate appreciably the peaceful, but revolutionary (abolition of apartheid) solution of the central problem of the Southern African region, the West has been forced to employ voluntary sanctions as a means of pressure on the South African Government for the purpose of forcing it to intensify the process of reforms for the sake of defusing the explosive situation. But in demanding of the West more decisive action independent Africa and the entire "third world" also are endeavoring to ensure that the abolition of apartheid be of a peaceful nature and permit the catastrophic possibility of the outbreak of a broad-based civil war to be averted.

Thus in evaluating the effectiveness of the international campaign for the imposition of sanctions against South Africa it is necessary in the political plane to consider not only and, perhaps, not so much their immediate impact on the apartheid regime, which is in profound crisis, as how it is contributing to the West's use of the possibilities of the peaceful elimination of apartheid on conditions acceptable both to the anti-racist forces and the white minority government, that is, ultimately in the interests of the peoples of Southern Africa. Given the current alignment and correlation of forces in the international arena, the problem of unblocking the conflict in Southern Africa is gradually becoming not so much a problem of the elimination of apartheid as the problem of the white minority. Apartheid has outlived its time as both a political and economic system. In the economic sphere it has closed off the possibility of the creation of the mobile, specialized and educated "engineering" proletariat, the use of whose labor would guarantee the high competitiveness of the manufactured product. This is forcing South African capital, regardless of the abundance of cheap labor resources, to seek a way out in

increased capital-intensiveness, which is fraught with the tendency of a decline in social labor productivity, an increase in unutilized capacity and a balance of payments deficit. In addition, the capital accumulating under the protection of the apartheid state has itself become a target of its "exploitation". The growth of the public sector as the economic basis of apartheid, an increase in social services for the white population, enlargement of the administrative machinery and large-scale spending on the upkeep of the army and the police have increased the role of the state in the redistribution and expenditure of the GDP. The superhigh government spending, financed by corporate and personal taxation, has created the prerequisites for the emergence of a huge shortage of material and financial resources with the additional difficulties ensuing from this of maintaining the balance of payments equilibrium, price stability and normal growth of the money supply.

The level of strain in the domestic political situation in South Africa testifies that the development of the national liberation process has become irreversible. Under these conditions "Bothanomics," a policy of the partial, slow, supercautious reforming of apartheid, is hopeless and contains the threat of a racial explosion. The crisis in Southern Africa may be solved only on the paths of radical transition from racist totalitarianism to democratic state administration. Only the abolition of apartheid could overcome the inner contradictions which it engenders. It is no less important for a settlement of the situation in Southern Africa, a strengthening of the positive trends which have shown through there and the safeguarding of international security, which cannot be lasting if its fabric is being rent by the fires of regional conflicts. The political liberation of the African people of South Africa is an essential element of the humanization and demilitarization of international relations. The process of the achievement of an agreement on granting Namibia independence and halting the Pretoria regime's aggressive actions in relation to the region's emergent countries do not do away with the fact that the main cause of the tension in Southern Africa is the existence of the apartheid system.

A constructive settlement of the conflict in Southern Africa cannot fail to affect the white minority government and cannot fail to presuppose a change in the policy based on the principle of the inequality of the races. The true abolition of apartheid is impossible without the equalization of the political rights of all inhabitants of South Africa. It may with sufficient reason be maintained that the elimination of apartheid is ultimately inconceivable without the African people being accorded opportunities for the expression of their political will based on their participation in democratic elections in accordance with the "one man, one vote" principle. All deviations from this principle, all—and perfectly possible—compromise, truncated approaches to a settlement of the problem of race relations within South Africa would signify merely a transitional stage, historically conditioned by virtue of this correlation of

forces or the other, on the paths of the ultimate elimination of apartheid and the deep-lying factors of the continuation of tension in this country and the region as a whole. But the free expression and consent of the African people to a limitation of their rights confirmed on their behalf by their representatives would be required even at this stage. Naturally, this expression of their wishes is impossible under the conditions of the strict suppression of the national liberation movement, the state of emergency, the Pretoria regime's refusal to accommodate the international community's demands concerning the release of political prisoners, an immediate halt to repression and punitive measures against political and public organizations, the lifting of all restrictions and bans in respect of their activity on the country's territory and so forth.

Thus the unblocking of the conflict in Southern Africa on the one hand requires the readiness of the South African Government to bring to a logical conclusion the reform of the apartheid system and, on the other, the participation of authoritative representatives of the African people in the solution of central problems of the country's future political development. And an indispensable condition of a peaceful settlement of the problem of apartheid could be not some likely results of negotiations in respect of definition of the forms of the political and economic arrangement of the South African state, the composition and political course of its government, the principles of the sharing or transfer of power and so forth ("alternatives are possible" here) but the elimination of inequality based on race.

In other words, to proceed from the primacy of interests common to all mankind and the need for universalization of the principle of the peaceful settlement of international disputes and conflicts, the logical abolition of apartheid should occupy a priority place in the hierarchy of the political aims of all forces interested in a stabilization of the situation in the Southern Africa region.

Undoubtedly, if the reference is to the whole set of problems confronting the region, what is important is the elimination of apartheid, the granting of independence to Namibia and a halt to South Africa's aggression against neighboring countries. But the socioeconomic and political factors of the constant generation of tension in Southern Africa consist of the existence of the apartheid regime.

It has to be seen that an easy and rapid national "black-white" reconciliation in South Africa is impossible. It has to be considered also that the process of consolidation of the forces of black resistance to apartheid has been made more difficult also, among other factors, by the ban on the activity in the country of the African National Congress, which is in the vanguard of the national progressive forces fighting for the establishment in South Africa of a nonracial democratic state and which has been forced under these conditions to continue the armed struggle. The confrontation around the

central problem of the Southern Africa region is as yet too strong for the question of the elimination of apartheid to now be on the agenda of negotiations based on the mutual trust of the political forces concerned. The apartheid regime still has power capable of curbing the growing resistance of the people of Southern Africa, who will inevitably have the decisive say in the victory over political inequality, racial discrimination and oppression. Particular significance for this victory is attached to the factor of consolidation of all forces opposed to the racist regime.

In the current situation the lead role in the search for ways of a peaceful all-around settlement of the conflict could belong to the United Nations, as the universal international organization. The struggle for the imposition of all-embracing mandatory sanctions against South Africa should not overshadow the possibilities of the use of other, new forms of UN assistance to the national liberation of the peoples of Southern Africa.

For the purpose of accelerating the unblocking of the conflict in Southern Africa the United Nations could be the initiator of the preparation and staging of a conference with the participation of representatives of all factions and organizations of the national liberation movement and other African organizations and interested parties on the question of the formulation of common approaches and common demands on the white minority government. In the event of a black majority government coming to power in South Africa, the permanent members of the Security Council could act as guarantors of the rights of South Africa's white population as citizens of a united nonracial democratic state of South Africa. Further internationalization of the international dialogue and collective action would serve as an important boost to the abolition of apartheid and the vestiges of colonialism as destabilizing factors of international significance.

A strengthening of the unity of the international community in its actions against the criminal policy and practice of the racist regime is a most important condition capable of ensuring the extensive and effective use of the mechanisms of multilateral diplomacy and the organization of constructive international cooperation in the unblocking of the conflict in Southern Africa. Of appreciable significance for an increase in the fruitfulness of the efforts of the United Nations in this area would be initiatives exercised within its framework aimed at the broadening of the cooperation of the permanent members of the Security Council. The positive possibilities of joint action of such a kind have already been shown in the process of the formulation of agreements pertaining to Southwest Africa. Given strict compliance with its terms by the parties to the agreement, the problems of Namibia's independence, a halt to South African aggression against Angola and the withdrawal of Cuban forces from the territory of this country should be solved in the immediate future. It is difficult to exaggerate the significance of these events from the

viewpoint of a strengthening of security in Southern Africa and realization of the particular responsibility of the world community to the oppressed peoples of Southern Africa. A situation which quite recently even seemed deadlocked was overcome by way of the employment of new political approaches to a settlement of regional conflicts based on the internationalization of international dialogue, the de-ideologization of international relations and a transition from confrontation to constructive quest for mutually acceptable compromise and, finally, as a result of the cooperation of the permanent members of the UN Security Council, primarily the USSR and the United States, in realization of the principle of the peaceful solution of international disputes and conflicts.

The United Nations' possibilities for safeguarding the security of countries of the region which have fallen victim to South Africa's aggressive actions are far from exhausted. Given the consent and participation of the "front-line" states, discussion within the UN framework of the question of military observers, who could render advisory assistance and offer consultation services to a number of countries of the region in their efforts to stabilize the military situation in the region, is possible. UN military observers could send the UN secretary general, the Security Council and the General Assembly objective and prompt information concerning the situation in the region and draw up proposals for its normalization.

It is the United Nations which could be the initiator of a search for the achievement of compromise and, consequently, a peaceful political solution in Southern Africa and implement in practice the principle of each people's political responsibility for the fate of peace.

The creation of an effective international mechanism for monitoring compliance with the mandatory decisions of the United Nations concerning the Southern African region and also for observing its members' realization of their voluntary commitments which they have assumed in this sphere is also a possible path of an increase in the significance of the United Nations' collective efforts in the business of eliminating the center of a threat to international security.

Footnotes

1. It is significant that the evaluations of the two declarations of the Paris conferences on sanctions against South Africa, which were held with a break of 5 years (1981 and 1986), in principle coincide in respect of the effectiveness of the embargo. These documents emphasize that the embargo has not lessened the danger of aggression on the part of the apartheid regime and express serious concern in connection with the Pretoria authorities' nuclear plans.

2. Estimated from UNITED NATIONS CENTRE AGAINST APARTHEID. NOTES AND DOCUMENTS No 12, New York, 1985.

3. SOUTH AFRICAN RESERVE BANK QUARTERLY BULLETIN, June 1987, Pretoria, p 10; March 1988, p 13.

4. THE STAR, 1 July 1988.

5. Up to 5 percent compared with 2.6 on average for 1987.

6. ANC NEWS BRIEFING, 31 July 1988, p 16.

7. FINANCIAL TIMES, 3 May 1988.

8. WEEKLY MAIL, 5 May 1988.

9. THE STAR, 24 August 1988.

10. J. Hanlon and R. Omond, "The Sanctions Handbook," London, 1987, p 154; "United Nations. Report of the Special Committee Against Apartheid. General Assembly. Official Accounts. Fortysecond Session", Supplement No 22/A/42/22. New York, 1987.

11. Estimated from EIU NO 4, 1986. "Country Report. South Africa," London, 1986.

12. THE CTC REPORTER, Spring 1987, New York, p 39; ECONOMIC NOTES, July-August 1985, New York, p 3; THIRD WORLD QUARTERLY, January 1986, London, p 95.

13. Arson against the building of a Dutch company with branches in South Africa is a well-known instance.

14. ECONOMIC NOTES, July-August 1985, New York, p 15.

15. THE ECONOMIST, 25-31 October 1986, p 42, 29 November-5 December 1986, p 70; ANC NEWS BRIEFING, 5 April 1987, p 18; THE INTERNATIONAL HERALD TRIBUNE, 22 June 1987.

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U.S.-Japanese Relations in R&D Area Viewed
18160008j Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYE OTNOSHENIYA in Russian
No 3, Mar 89 pp 110-114

[V. Khlynov letter from Tokyo. --p. United States: Interaction and Contradictions in the R&D Sphere"]

[Text] Recent years have been characterized by the increasingly pronounced intensification of Japanese-American contradictions in such an extremely important sphere of their long partnership as R&D. Becoming increasingly serious, this problem is today constantly on the pages of the Japanese and American press.

Until recently the two countries' relations in the said sphere were practiced practically without conflict on the basis of the S&T cooperation agreement concluded in 1980. However, experiencing increasingly serious disquiet in connection with Japan's successes in a number of most important spheres of S&T knowledge, particularly in microelectronics and video equipment, and emphasizing also that it was achieving this largely "at America's expense," the United States 3 years ago demanded a fundamental revision of the principles of bilateral S&T cooperation and the conclusion of a new, "fairer" agreement.

For a long time the Japanese side's stubborn resistance failed to produce the results desired by the United States. The 1980 agreement had been extended several times, but the principles of cooperation, in which the one-sided flow eastward of S&T knowledge and experience predominated, remained invariable. However, at the last meeting of the Seven leading capitalist countries in Toronto Japan was finally forced to yield to concentrated American pressure. On 20 June 1988 President R. Reagan and Prime Minister N. Takeshita signed a new "Japanese-American Agreement on Cooperation in the Sphere of Science and Technology". Geared to the coming 5 years, the agreement provides for a broadening of bilateral S&T contacts in such spheres as biotechnology, information science, superconductivity and new materials. As distinct from the preceding agreement, it incorporates secret items aimed at limiting the "leakage of information to third countries," on which the American side insisted continually, with Japan resisting stubbornly.

A special joint commission for monitoring implementation of the agreement was set up at government level for the purpose of compliance with this provision. Revealing the "secret" of its formation, the Japanese press emphasizes the intention of the United States, having gained monopoly access to its partners' latest developments, to tie its hands in the sphere of international S&T cooperation and thereby weaken the growing competitiveness in the sphere of advanced science-intensive products. S. Tanaka, a well-known Japanese specialist in the superconductivity of materials, stated the following in this connection: "The problem is that the United States, fearing the USSR, wishes to fully control the flow of technology from Japan. This was never the case previously. I feel that we have entered a dangerous age."

Describing the new stage of exacerbation of Japanese-American economic contradictions, which have spread to the field of S&T research also, a leading Japanese newspaper, YOMIURI, wrote: "The fact that the epicenter of economic friction between Japan and the United States is today moving toward science and technology is causing concern."

What has caused this friction in so important a field of the relations of the two most developed capitalist countries, how profound and serious are they and what

measures to surmount them is each side proposing? Let us first look at the current state and development trends of Japanese science and technology and the successes which the Land of the Rising Sun has scored in this sphere in recent years.

From Successful Borrowing to National Original Research

Right until recent years the basis of the development of Japanese R&D was the three-in-one principle, which required no particular expenditure but which was highly effective, of the extensive borrowing, rapid improvement and prompt introduction in production of overseas S&T achievements. The long implementation of a well-conceived capital- and labor-saving S&T policy made it possible not only to economize on the huge resources necessary for national basic research but also to save time appreciably. It was as a result of this policy that the country scored pronounced successes of an applied nature in such important fields of science and technology as physics, seismology, mathematics, genetics, high-polymer and organic chemistry, microbiology, metallurgy, agriculture, fishing and means of communication.

However, the increased difficulties in the acquisition of new overseas patents and licenses forced Japan in the middle of the current decade to change this extremely profitable S&T strategy and embark on the path of the preferential development of its own research not only in the applied but also basic sphere. In March 1986 the cabinet confirmed a fundamental new program of the development of R&D paying particular attention to basic research which had been drawn up by the Science and Technology Agency (STA).¹

Despite the fact that the said program was geared primarily to an intensification of innovative fields in government research institutions, many universities (both state-supported and private) and numerous research organizations of major companies became quite active subscribers to it. This, as the recent "White Paper on Science and Technology" emphasizes, is extremely important inasmuch as it creates a solid base for expansion of the scale of national basic research.²

Inasmuch as the process of reorientation toward national basic research, stimulated by the government, has in fact only just begun, its relative significance in overall R&D is not that great as yet. However, it is showing a tendency toward constant growth.

According to the estimates of Japanese specialists, in coming years the scale of basic research in the country will grow considerably. Considering the intensification of the process of the internationalization of science and technology, the importance and usefulness of wide-ranging international cooperation and joint labor in the realization of basic research are emphasized here. For the purpose of stimulating such cooperation the Japanese Government enacted back in 1986 the special "Law

on Governmental Exchange of Researchers," which has expanded appreciably the influx of foreign scientists.

Speaking of the principal areas of national research as of today, mention has to be made of the following. A whole number of S&T programs, extremely important for the future, including projects for the creation of a generation of "thinking robots," assimilation of the production of new industrial materials, study of the oceans and the development of biotechnology, genetic engineering and a number of other of the latest areas of science and technology, has been elaborated and is being implemented in the country. In the basic research field priority is being given studies in three most promising. Japanese specialists believe, spheres: rare-earth materials possessing superconductivity, immunology and laboratory experiments to conquer AIDS; neuro-knowledge connected with aging, inherited illnesses and an artificial brain.

The said large-scale projects have the appropriate personnel support. As of the start of the 1987 fiscal year the total number of researchers engaged in all branches of learning constituted 814,700, which was 2.7 percent more than in the preceding fiscal year. Of these, 57 percent were working in the research organizations of private companies, 31.5 percent in universities and 11.5 percent in government research institutes.³

The country's spending on research work is growing also. Whereas in the 1976 fiscal year it constituted approximately 3.321 trillion yen (1.94 percent of GNP), in the 1986 fiscal year it amounted to almost 9.193 trillion (2.75 percent of GNP). Money to pay the research personnel constituted 45.4 percent of the said amount here; the acquisition of literature, office goods and so forth for 20.8 percent; purchase of the necessary equipment for 16.7 percent; and the acquisition of laboratory materials for 17.1 percent. The preponderance of all financial resources is channeled into research in the sphere of the natural sciences. In the same 1986 fiscal year they constituted 8.415 trillion yen or 91.5 percent of total spending on scientific research.⁴

The structure of spending on research in the sphere of the natural sciences is highly indicative: private companies, 6.12 trillion yen (72.7 percent); government research institutes, 1.173 trillion yen (13.9 percent); universities (state and private), 1.122 trillion yen (13.3 percent).⁵ The lion's share thereof, which accrues to private companies, is more than five times greater than the contribution of the state and research institutes and the higher school. A similar picture is observed in the sphere of basic research also. The state finances only a negligible amount thereof—that which for the private companies is attended by the greatest risk and cannot guarantee rapid returns. The rest is paid for by business itself.

In terms of the overall scale of scientific research, including R&D, Japan continues to lag noticeably behind the United States. However, this gap has been closing continuously recently. In terms of such most

important indicators as spending on R&D, number of researchers, numbers of scientific works published and scale of technology exports Japan has already appreciably outdistanced many highly developed capitalist countries, including the FRG, France and Great Britain, and is inferior now only to the United States.⁸ In addition, in terms of the development and application of some of the latest technology, in the sphere, particularly, of laser optics, video equipment and microelectronics, it has, Japanese specialists believe, already overtaken the United States.

This trend is causing increasingly serious apprehension on the American side, which is a principal reason for the exacerbation of relations with Japan in the sphere of both basic research and applied S&T developments. The facts testify here that the new contradictions are of quite a profound nature. Besides the disagreements connected with the conclusion of the above-mentioned S&T agreement, this is confirmed by the fact that each side has put forward its own program of cooperation in the sphere of science and technology which does not always take account of the interests of the partner. Let us dwell on this in more detail.

The Japanese 'Human Frontier' Program

In order to achieve further, more tangible results both in the sphere of basic research and S&T developments and also pursuing an extremely important goal for itself—easing the friction in these spheres with the United States—back at the start of 1986 Japan initiated the implementation of a large-scale international scientific program entitled "Human Frontier Science Program".⁹

The basic idea of this long-term program, geared to a 20-year period, amounts to a search for fundamentally new areas of the development of science and technology on the threshold of the 21st century. The need for it is justified as follows. Science and technology will play an increasingly important and, ultimately, key part in mankind's development. At the same time modern civilization, oriented toward the use of machinery, has a tendency to ignore man's vital interests. As a result the world is confronted by a number of serious problems, including the rapidly-growing consumption of energy, pollution and destruction of the environment, the "exacerbation of relations between machine and man," so-called techno-stresses and so forth. The solution of these problems demands a fundamental revision of the present approach to the development of science and technology.

The initiators of the program associate the possibility of a change in the strategy of S&T progress to a large extent with study of the biological functions of living organisms. In their opinion, this will help the creation of fundamentally new production cycles using living matter and also the development of designs imitating biological functions in such spheres as protein production and artificial photosynthesis. In other words, it is proposed

concentrating all scientific research within the framework of the program on problems associated with functions inherent in living organisms, man included. The authors of the program distinguish as a most important and priority subject questions of metabolism, the motion of living tissue and thinking.

According to preliminary estimates, implementation of the program will require a huge sum amounting to 500-600 billion yen. For this reason Japan is interested in extensive cooperation with all highly developed capitalist states, primarily the United States. The extremely active propaganda of the program by the Japanese Government undertaken since the publication in February 1986 of the report of the special research group which worked under the leadership of Prof S. Ishizaka, former chief of the Science and Technology Agency, in particular, testifies to this.

The report "Basic Concept of the Industrial Society of the 21st Century," which had been prepared by a special subcommittee of the Sectoral Structure Council ([Sange kodzo singikay]), appeared in May the same year. The report comprehensively supports the idea of the need for the joint realization by leading capitalist countries of the "Human Frontier" scientific program. At the session of the Science and Technology Council which followed this then Prime Minister Y. Nakasone gave instructions for a start of the elaboration of specific parts of the program and the charting of the stages of its implementation.

At the same time H. Tamura, minister of international trade and industry, was ordered by the head of the Japanese Government to contribute in every way possible to extensive international propaganda of the ideas of the said program and embark on its practical realization by Japanese efforts. In this connection there was a joint meeting in August 1986 of the leaders of ministries and departments connected in one way or another with implementation of the "Human Frontier" program. It was attended by, *inter alia*, representatives of the Ministry of International Trade and Industry, the Science and Technology Agency, the Foreign Ministry, the Ministry of Education, the Ministry of Health and Welfare, the Ministry of Agriculture, Forestry and Fishing and the Ministry of Posts and Telecommunications.

Finally, in September 1986 Japan made an official appeal to the developed capitalist countries to join in the basic efforts in the field of biology. It was made in H. Tamura's speech at an international symposium in Brussels.¹⁰

The lack of an active response on the part of its overseas partners and, particularly, of their aspiration to practical participation in the program forced Japan's ruling circles to resort to more intensive propaganda. In June 1987 at the meeting of the Seven in Venice Y. Nakasone proposed the creation of an international committee for

study of questions connected with the possibility of implementation of the program which had been put forward by Japan.

The proposed committee was set up shortly afterward. It included representatives of scientific circles of the leading capitalist countries. As of November 1987 periodic meetings of this committee have come to be held in Tokyo at which specific possibilities and directions of the implementation of the program have been studied. The results of the international committee's work were delivered at the last meeting of the Seven in Toronto in June 1988, at which Japan was represented by the new prime minister N. Takeshita. He once again appealed to the members of the "Western community" to begin joint implementation of the "Human Frontier" scientific program.

However, the reaction of the participants in the meeting to this appeal disappointed the Japanese side: in view of the existence of more serious unsolved problems, the leaders of six countries of the Seven paid only formal attention to the ambitious S&T program. Although official mention of it was made in the document adopted on the results of the meeting, this was done merely to thank the Japanese scientists "for preliminary study of the problem," the specific realization of international cooperation, however, was deferred until the "near future".¹¹

The American Program of Study of Japan's S&T Achievements

The United States, for its part, has put forward a program of study of Japan's successes in the sphere of advanced science and technology. The reasons for its appearance are no secret. At the present time Japan remains the leader of the capitalist world both in terms of rate of economic growth and individual indicators of production efficiency. Together with management which operates impeccably and a well-conceived organization of production this is explained to a considerable extent by the successful solution of a number of fundamentally important technological problems. In the opinion of Japanese specialists, Japan has long overtaken the United States in development and application of certain of the latest techniques, particularly in metallurgy, automobile manufacturing and a number of promising areas of electronics.

Under these conditions the National Science Foundation, which is financed by the U.S. Government, drew up at the end of 1987 a comprehensive program of study of Japan and, particularly, its S&T achievements. Called "Initiatives for Study of Japan," it envisages the assignment of American scientists and technical specialists to this country to study "on the spot" the latest Japanese achievements in the sphere of S&T knowhow and the introduction in practice of the latest technological developments. Unfortunately, neither the author himself nor Japanese researchers have the full text of the program. However, according to Japanese press reports, American

efforts to study Japan's S&T achievements are of quite a wide-ranging nature. The program includes, in particular, the following items:

1. Tours to Japan of American scientists and specialists for a period of 6 to 15 months paid for by the said foundation.
2. Allocation of special resources for American scientists and technical specialists and also students wishing to study Japanese. It is envisaged in this connection working for the formation in the engineering faculties of Japanese universities of special Japanese study groups for foreigners.
3. The encouragement of Japanese research organizations (both private and government) to accept American researchers for industrial training and work.
4. The financing of American research groups involved in an evaluation of the research efforts being made by Japanese research organizations.

Some \$1.6 million were earmarked for implementation of the said program in the first year of its operation. It is proposed sending 15 American research workers to Japan on these funds in 1988. In the event of approval of the program by the Japanese side, the number of such researchers will rise in 1989 to 50. In addition, at the first stage of the program part of the said sum will be set aside for the encouragement of 40-50 American students expressing a desire to study Japanese. The program's authors proceed here from the fact that at the present time the number of Japanese students and researchers in the United States constitutes almost 26,000, while the number of American researchers in Japan, only 2,000 approximately. And, furthermore, the majority of Japanese specialists in the United States is involved in study of S&T problems, while the majority of American researchers in Japan are social scientists.¹²

Such are the basic provisions known as of today of the American program providing for purposive and intensive study of Japan's experience in the S&T field. Its implementation will evidently run into considerable difficulties. It cannot be ruled out that, while making some concessions, the Japanese side will resort to its favorite delaying tactics. However, it is clear also that, displaying increasingly pronounced concern in connection with its rival's breakthrough on the technology front, the United States will strive persistently to ensure that Japan make considerable concessions and ultimately satisfy all the American demands.

Footnotes

1. ASAHI EVENING NEWS, 9 April 1988.
2. YOMIURI SHIMBUN, 2 February 1988.

3. "General Directions of S&T Policy," Tokyo, 1986, pp 1-3.
4. "White Paper on Science and Technology. 1987," Tokyo, 1988, p 9.
5. "The Present State of Science and Technology in Japan," Tokyo, February 1988, p 2.
6. Ibid., pp 1, 3.
7. "White Paper on Science and Technology 1987," Tokyo, February 1988, p 31.
8. See "White Paper on Science and Technology. 1987," Tokyo, 1988, pp 15-42.
9. See MEMO No 10, 1987, p 71.
10. NEWS FROM MITI, January 1987, pp 4-6.
11. See "Toronto Economic Declaration" (DAILY YOMIURI, 23 June 1988).
12. See DAILY YOMIURI, 6 December 1987.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

GDR Scholar Criticizes A. Arbatov on Causes of Arms Race

Editorial Introduction

181600081 Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA in Russian No 3, Mar 89 pp 115-121

[Text]

In issues 5 and 10 of our journal for 1988 a debate was conducted between doctors of historical sciences A. Arbatov and E. Pozdnyakov on the question of the correlation of the political and material-technical aspects of the arms race. The editorial office has received a letter from S. Henke, a staff member of the GDR International Relations Institute, in which he expresses his viewpoint on this problem. We publish the letter and A. Arbatov's response.

Political Role of Nuclear Weapons

[Text] The argument carried in the October issue of MEMO between the well-known political scientists E. Pozdnyakov and A. Arbatov could not have failed to have attracted attention for the simple reason that at the center thereof was really one of the key issues being discussed today within the framework of the "new thinking" and in the process of the search for new approaches to the solution of a central problem of world politics.

What is the argument about? A. Arbatov reproaches his colleague (and his "sympathizers") for an undue preoccupation with "high policy matters" and an insufficient consideration of the complexities of real life, that is, specifics of the military-strategic, military-technical aspects of the confrontation of the two military-political groupings.

While acknowledging by and large ("at a very high level of generalization") the primacy of political goal-setting over the means of realizing the goals, the author, whom I respect, criticizes E. Pozdnyakov for making an absolute of this cause-and-effect relationship leading to a disregard for the relatively independent significance of the arms race, which has changed to a considerable extent from a simple effect of the policy of confrontation to a cause thereof.¹ And although A. Arbatov, in turn, warns repeatedly against "making an absolute of the significance of purely military factors," the quintessence of his arguments both in the article (MEMO Nos 4 and 5) and in his response to E. Pozdnyakov's article (No 10) nonetheless amounts precisely to an affirmation of the proposition concerning the relative independence of the military-strategic factor, which has in the era of super-destructive nuclear arms begun to "lie heavy" on policy, limit its choice and even determine its goals ("the tail wagging the dog"). This proposition could in principle hardly evoke objections from anyone (and least of all, I believe, from E. Pozdnyakov, who emphasizes the existence of this feedback); the sole correction might be that wording of the "the devastating power of nuclear weapons has upset the traditional cause and effect relationship of policy and military power" or "the means have become an absolute, an end in themselves" type is, first, unduly categorical and, second, can hardly be equally right in respect of both sides (V. Gantman, whom both authors quote, speaks merely of a "certain independence," of "influence" and so forth).

These "corrections" could be attributed to the "cosmetic" category and the argument itself considered a misunderstanding if we accept the mode of reasoning chosen by A. Arbatov for proof of the discrepancy between the "opponent's formal logic" and the realities of our time. A. Arbatov sees as the weakness of this logic the fact that the "elimination" or, at least, "an appreciable undermining of the political basis of the conflict," being, according to E. Pozdnyakov, an indispensable condition of the elimination of the arms race, are either **insufficient** (if it be a question of complete disarmament) or **not obligatory** (if the parties pursue more modest goals, to which the author attributes a 50-percent reduction in strategic offensive arms, deep cuts in armed forces and conventional arms in Europe, the banning and elimination of chemical weapons and other measures).

The "either" could serve perfectly well as a working hypothesis if, of course, we disregard the fact that solution of the "main contradiction of the era" would

remove the principal obstacles in the way of a "fundamental rearrangement of international relations" and a lowering of the political stakes and thereby the level of confrontation in interstate relations; the certain "slightness" with which A. Arbatov speaks of the significance of a surmounting of the political conflict for an end to the arms race—"this... would take immeasurably more"—deprives of persuasiveness his own reservations concerning the primacy of the political motives of military rivalry.

It is considerably more difficult agreeing with the "or".

A. Arbatov writes: "If, however, what is meant is more modest tasks and closer prospects, arms reduction and limitation can hardly be made dependent on the 'elimination or, at least, undermining' of the essential division of the world into opposite systems...."² Thank God, the author continues, that progress in the business of arms reduction and limitation is possible even without elimination of the political causes of the military rivalry—otherwise "neither the 1963 Moscow treaty banning nuclear tests in three media nor other treaties of the 1960's-1970's nor the INF Treaty would have been possible."

Such reasoning would seem to me, from the viewpoint of what the author wishes to prove, extremely vulnerable.

First, it has to be seen that the agreements of the 1960's-1970's, which he adduces as an example, were on each occasion possible as the result of a certain reduction in the level of political confrontation between the USSR and the United States; and how other than by the "undermining of the political basis of conflict" may this reduction be considered?

Second, these agreements were the more substantial, the more significant was the change in political priorities—the transition to the "indirect" or "peaceful" strategy of J.F. Kennedy (we recall his celebrated speech at American University in the summer of 1963) and, even more, the proclamation of the "Nixon Doctrine," which brought the United States to official recognition of the need for peaceful coexistence, represented precisely such a change. As far, on the contrary, as local and regional crises from the Korean War through the events in Afghanistan are concerned, there are evidently no grounds for argument here: it is simply that the authors are saying in different words the same thing. These grounds emerge when A. Arbatov, while rightly pointing to the conversion of the arms race into a substitute for war ("continuation of war by other means"), concludes from this that, by analogy with nuclear war, the arms race also, by virtue of its "seeming irrationality," ceases to be simply an effect of policy and becomes, in turn, a "most important conflict of political interests."

But it is precisely the point that the "irrationality" of the militarist programs of the Pentagon is really only seeming; it would be real were these programs geared to a

global "hot" war, and not at the "cold," economic, exhaustion of the enemy (E.A. Shevardnadze called attention to this political function of the arms race in a report at a Foreign Ministry scientific-practical conference).

Substantiating the self-sufficing role of the nuclear factor, A. Arbatov asks the rhetorical question: "...what event in the international arena could create such a threat to your interests as the physical capacity of the other power at his choice to completely wipe you out as a nation and a state within half an hour?" If the logic of this question is correct, why are some states (Japan, whose present economic expansionism would by the yardsticks of the 19th-first half of the 20th centuries be sufficient grounds for war; China; and so forth) unconcerned by this physical capacity of the United States, while others (the USSR and its allies) perfectly correctly see it as a threat? And why is the analogous military power of the Soviet Union, which even recently was a burden on Soviet-Chinese relations, today, evidently, no longer blocking their improvement? The INF Treaty, which represented, in M.S. Gorbachev's words, "a benchmark political event," "a reference point of the era of nuclear disarmament," an event whose significance may be assessed in full, possibly, only by historians of the future, illustrates more clearly than much else the connection between an improvement in policy and progress in the sphere of disarmament.

We have the natural question: if this assessment is not simply handsome metaphors and the treaty really does symbolize a "change of eras" (or, more modestly, the start of practical movement toward a nuclear-free and nonviolent world), can it be imagined that such a breakthrough was conceivable without a "change in political causes"? To deny such changes would mean, at least, underestimating the entire depth of the revolution which has been under way recently in our views of the world in general and the theory and practice of peaceful coexistence in particular.

Of course, the world is, as before, divided into opposite systems and military-political groupings; but we see the nature and "parameters" of this division today in an entirely different light from that of all preceding stages of the "cohabitation" of the two systems, that is, at the stages when our political relations—and, in the wake of them, all else—were shaped under the influence of the proposition concerning the total incompatibility not only of our class and ideological but also state, including military-political, interests. We looked on the world's interdependence as a diversion of the Trilateralists; we considered the main contradiction of the era the division of the world into two systems; peaceful coexistence was for us in theory a form of class struggle, and from the viewpoint of practice, either a breathing-space or, in any event, a short-lived phenomenon; the detente of the 1970's was interpreted as our victory and the defeat of the other side. It was not we who had initiated the arms race, but the "contribution" of these purely political

concepts of ours to the dynamics and forms of the military rivalry of the USSR and the United States and the "separation" of the military means from the policy ends of the socialist state is today obvious. It was these concepts, and by no means the logic of the military-technical revolution, which determined primarily both our military doctrine substantiating in practice up to the end of the 1970's the possibility and necessity of victory in a "just" nuclear war and our extensive military development and predominantly quantitative approach to an interpretation of parity; these concepts facilitated propaganda support for the Pentagon's militarist programs.

I would like to stress that it was precisely the surmounting of the above-mentioned political, more, philosophical and, we would add, dogmatic views of the nature and place of the intersystem conflict in the world historical process which made possible affirmation of the new political thinking, the quintessence of which may be considered the following conclusion: the new quality of interdependence has modified the dialectics of the rivalry and cooperation of the two systems; cooperation is moving to the forefront, rivalry, on the other hand, is assuming the form of peaceful competition. Peaceful competition is becoming the principal form of movement of the main contradiction of the era.

It is this "recovery of sight" and alignment of our thinking with the changed material form of being which has enabled us to switch policy as a whole—both domestic and foreign (and also such a component of the latter as security policy)—to a new system of coordinates, whose main structural components are the priority of values common to all mankind, consistent recognition of the historical legitimacy of the social system confronting us, the need for a balance of interests and equal security and recognition of the supremacy of international law and the "exclusive domination of political means over all others" (E.A. Shevardnadze), which reflects an ongoing devaluation of coercion and its instruments as a universal trend in the development of human civilization. Reducing the "range" of these components merely to the international sphere would be just as invalid as in foreign policy, to the sphere of security policy, and in the latter, in turn, merely to the nuclear confrontation of the two powers. Born as a political and even diplomatic idea, peaceful coexistence crossed over, according to M.S. Gorbachev,³ to the sphere of fundamental laws of the era only after V.I. Lenin had formulated the NEP concept. The dependence of foreign policy on domestic policy was discussed in his report at the scientific-practical conference by E.A. Shevardnadze, who emphasized that the country's democratization was an essential condition and prerequisite of the democratization of international relations. This entire block of political movements has made it possible to look anew at the imperatives of security policy also—we now regard the security of the other side as part of our own security. However, seeing the cause of this metamorphosis merely as the threat of

nuclear apocalypse or reducing the community of security merely to the military sphere would mean committing the sin of the technocratic approach: first, man is threatened not only by "nuclear winter" and, second, the acceptance of such a cause as the sole one would induce the assumption that the main motive of our transition to the new thinking was the threat of nuclear catastrophe, with the curbing of which peaceful coexistence could once again be what it was in our understanding previously—"a specific form of class struggle".

The logic of A. Arbatov's arguments, according to which the INF Treaty may serve as an illustration of progress in the disarmament sphere "directly," without the "elimination or, at least, undermining" of the political causes engendering the race, would seem in the light of all that has been said above more than contentious. Without a halt to the ideological and propaganda wrangling, without an authoritative statement on our part that we see today as a mortal threat to ourselves and to all mankind not the machinations of the class enemy but militarism as such,⁴ without consistent active work on doing away with the traditional "enemy image"—without such changes any "disarmament directly" cannot fail to be an illusion, if, of course, we mean disarmament capable of diverting from us the threat of collective suicide.

So, to sum up: however isolated and self-sufficing the role of nuclear superarms may seem to us today, they remain the product of political goal-setting, on the nature of which it depends whether we will succeed in continuing our progress toward real disarmament. The desire to jump back from the brink of the nuclear abyss is a very strong stimulus to the organization of the coexistence of the two systems on new principles, but it merely contributes—among others—to recognition of a broader complex of imperatives of the interdependent world.

A most important prerequisite of the movement that has begun toward a new, nor violent condition of the world is the surmounting of the narrow-class approach which has been predominant until recently to the needs of social development as a whole and recognition of the priority of the common, unifying interests of the two competing systems over the class interests disuniting them. The establishment of this approach in the policy of the USSR and the growing understanding of the lack of alternatives to this policy on the part of influential political circles in the West is that most fundamental change in "political causes" which made possible the signing of the INF Treaty and gives hope for future, bigger successes. Without these changes our efforts would truly hardly be going beyond the framework of treatment of the symptoms of the disease. However important the elimination of intermediate- and shorter-range missiles may be, it should not be forgotten that there remains in the arsenal of the nuclear powers at least a 19-fold human civilization annihilation potential. And we would recall, finally, that even prior to ratification of this treaty, prior to any movements in the military-technical sphere, the CPSU

Central Committee deemed it possible in the theses for the 19th party conference to draw the conclusion concerning a lessening of the threat of war and an improvement in the Soviet Union's international position—and not thanks to an increase in strength but as the result of increased trust in our country.

To be honest, I do not see where E. Pozdnyakov infringed the competence of the "physicists". If this infringement is seen as being criticism of our recent general preoccupation with the technocratic approach to the content of security policy and attempts to comprehend the conclusion of the 27th CPSU Congress to the effect that security is today becoming chiefly a political problem and may be safeguarded merely by political means, a reproach of negligence (if even this) would have been merited by the "lyric poets" merely in the event of their having shunned such attempts. If they had agreed that the category of security or even strategic stability may really be expressed in categories of arms ceilings, levels and sublimits. Had they taken on trust the view of parity, which is still current, as the "approximate equivalence of the USSR and the United States in respect of the basic, most obvious indicators," and not as "a capacity under all conditions of nuclear attack to inflict on the aggressor by a retaliatory strike unacceptable damage". Explaining which of these two mutually contradictory notions of parity (which live side by side harmoniously in A. Arbatov's last article)⁴ corresponds to the criteria of reasonable sufficiency is, in turn, the duty of the "physicists," who, like their "lyric poet" allies, are only just embarking on the search for the saving "philosophers' stone".

Footnotes

1. MEMO No 5, 1988, pp 20-21.
2. Ibid., No 10, 1988, p 132.
3. See M.S. Gorbachev, "Selected Speeches and Articles," vol 5, Moscow, 1988, p 437.
4. The main sources of the threat to our security. Academician G.A. Arbatov writes, "we see... today—granted all the difficulties in relations with the United States, with the West—not in the United States, not in NATO, not in capitalism as such but in militarism. Militarism has become a general danger, a threat to all" (MOSKOVSKIYE NOVOSTI, 23 September 1988, p 5).
5. See MEZHDUNARODNAYA ZHIZN No 9, 1988, pp 82, 89.

Arbatov Replies

[Text] The letter of S. Henke, a political scientist from the GDR who is well known in our scientific circles, raises a number of serious problems, which prompts me to return once more to this inexhaustible and important subject.

A principal question giving rise to disagreements is whether it is necessary to "eliminate or, at least, appreciably undermine" the political basis of the arms race to eliminate or, at least, partially limit it. As in any scientific discussion, it is necessary in order to understand one another to agree on the meaning of the terms.

Otherwise it could be like two squint-eyed pedestrians bumping into one another on the sidewalk, after which one fires off at the other the reproach: "Why don't you look where you are going?" To which the other replies: "And why don't you go where you are looking?"

So what is understood by the political causes and the political basis of the arms race? E. Pozdnyakov, who is defended by our German colleague and whose reasoning he considers impeccable, defines them as follows: "the division of the world into opposite socioeconomic systems and military-political groupings of states corresponding thereto intensified by ideological intolerance in respect of one another."¹

Elimination of the arms race is a very nebulous proposition, but if understood literally, it means nothing other than general and complete disarmament. For as long as military power remains an instrument of states' policy and a factor of relations between them and as long as S&T progress continues, military competition will continue. The scale, directions, danger and economic burdensomeness thereof may vary within a broad range (depending on arms limitation and reduction agreements included), but completely eliminating, that is, halting, it under such conditions is hardly possible.

Let us now ask: is the abolition of the division of the world into opposite socioeconomic systems and military-political groupings of states ideologically intolerant of one another sufficient for general and complete disarmament? I believe not. It is possible to imagine the mutual ideological tolerance of states with different social systems and even the disbandment of the present military-political blocs. But what is meant by the elimination of the division of the world into opposite socioeconomic systems: the victory of socialism in them or capitalism with us or convergence? It may, incidentally, for the sake of intellectual experiment, be allowed that the division into two social systems may somehow be eliminated also. Would the basis of the arms race then disappear?

Repeating what is generally known, I would recall that both the first and second world wars erupted between socially more or less homogeneous capitalist states and alliances. And the experience of recent decades testifies, unfortunately, that military confrontation, an arms race and armed conflicts are possible between socialist countries also. And the nuclear arms race itself, if its genesis is studied completely, began not between the USSR and the United States and the Warsaw Pact and NATO but between states of the anti-Hitler coalition and the Axis powers. Nuclear weapons were used for the first and, as yet, only time in August 1945, at the turning point of two

eras, by one of today's two closest allies against the other. And this is an objective and tragic fact, however much we may argue about whether there was a military need for this and against whom this act was directed in the military-psychological plane.

Besides the central military confrontation of East and West, we now see a growth of the arms race, including the process of its nuclearization, at the regional level—in South Asia, the Near and Middle East, Southern Africa and Latin America. There are at the basis of these most dangerous processes political causes other than those about which E. Pordnyakov and S. Henke speak and which intensify, but do not determine the said dangerous trends.

It is naive to think that the USSR and the United States have only to come to an arrangement with one another, and there will be peace and plenty in the world. Given the rapidity of the changes occurring in the international arena, one can perfectly well imagine that in several decades the configuration of the alliances of states and military balances will be quite different and that even the political foundations of the present arms race which my respected opponents highlight will to a considerable extent have been eliminated or modified. In mathematics there is the concept of necessary and sufficient. The elimination of the above-mentioned "political foundations" would seem to me not necessary and insufficient inasmuch as, in any event, it is a question of the existence in the world of opposite social systems.

In order to eliminate the arms race and achieve general and complete disarmament what is needed—and I wish to repeat this as strongly as possible—is immeasurably more along the lines of a fundamental reorganization of international relations, and not only in the plane suggested by my colleagues, what is more, but in a multi-dimensional, volumetric plane—for the purpose of the creation of new ways of settling conflicts between states in place of those which have been employed for millennia.

Now about partial arms limitation and reduction measures. Hardly anyone will dispute the elementary truth that an exacerbation of general East-West political tension and an escalation of "ideological wrangling" between them (as S. Henke puts it) do not contribute to the achievement of agreements on such measures. But even here the relationship is far from unambivalent, however convenient and attractive simple logical syllogisms are. The fate of the SALT II Treaty is graphic confirmation of this.

It may be assumed perfectly well that had the United States considered this treaty in terms of its strategic content far more beneficial and had prior to the events in Afghanistan even the criticism of circles of the right not "gutted" the SALT II in respect of the essence of its terms and limitations, a Democratic U.S. Government would hardly have ventured to have, as it was put at that

time, "derailed" it in 1979. Afterward, having stoked up to unprecedented levels the propaganda attacks on the USSR and having called us the "evil empire," the Reagan administration declared practically simultaneously in 1981 that it would not undermine the terms of SALT II. But in 1986, when the intensity of the strain in Soviet-American relations had diminished noticeably, following the top-level meeting in Geneva and not long before the meeting in Reykjavik, the United States was, for all that, violating the treaty's limitations.

All this indicates that even secondary, aggravating aspects of the political foundation of the arms race ("ideological intolerance") do not directly influence the process of its limitation, which has appreciable specific features and a fair degree of autonomy. As far as the primary, objective components of this foundation, as my critics interpret it, are concerned, their "elimination or undermining" can all the less be seen as an indisputable condition of, although partial, very important arms limitation and reduction measures. Let us not bandy words but make our positions clear, as they say. A lowering of general political tension and an easing of the propaganda rhetoric undoubtedly contribute to the emergence of good will in the search for compromise at negotiations. And at the same time, on the other hand, movements of negotiating positions bringing the parties closer to an understanding change their attitude toward one another and compel a moderation of the rhetorical ardor and a new look at other of their contradictions also. There is a closed dialectical relationship here, and what comes first, the "chicken" or the "egg," is an insoluble question, and not that important. After all, negotiations on curbing the arms race are themselves a most important specific sphere of states' political relations, as also military rivalry between them.

However, the fundamental factors which objectively exist—the division of the world into opposite socio-economic systems and military-political groupings of states—are by no means eliminated here and are not undermined, regardless of the fact that yesterday someone was calling us the "evil empire," but today has taken it back. The relations of these systems and groupings change, but not their essence and the fact of their objective existence. We have an immense way to go in arms limitation and reduction, the settlement of other international conflicts and the establishment of cooperation in different spheres of concurrent interests before it is necessary to put these fundamental realities on the agenda of negotiations and compromise. If, however, the "cart is put before the horse" and progress in disarmament is made dependent on the "elimination or undermining" of the world's division into opposite systems and groupings, we shall not take a step forward in the one or the other or a third direction.

The race in arms, nuclear particularly, has acquired tremendous force of inertia and has in a certain way become separated from the other spheres of international relations. It was in the period of a thaw in

Soviet-American relations and the signing of the 1963 treaty limiting nuclear testing that the buildup of ballistic missiles of the United States and, in the wake of this, the USSR achieved the highest rate in history. There was an intensive buildup of nuclear warheads in the strategic forces thanks to missiles with multiple reentry vehicles together with the relaxation of tension and the achievement of the ABM Treaty and the SALT I agreement at the start of the 1970's.

Now, against the background of the marked improvement in relations between the USSR and the United States, following the INF Treaty coming into force, the deployment of a new generation of strategic offensive arms continues at an invariable pace. And a specific feature of this sphere, what is more, are its long-term parameters also. Arms are being deployed currently which were developed 20 years ago and intended for service right into the 21st century, which we would like to see nuclear-free and nonviolent. Consequently, it is necessary to deal directly with these problems also, without waiting for some additional propitious political changes. That the relations of the leading states are far from exhausted by questions of arms limitation, just as the danger of war also does not amount to nuclear rivalry, is another matter. Efforts are needed in other directions also, and not only in the sphere of relations between the USSR and the United States, what is more, and one cannot replace the other here.

Indeed, the mere existence of the nuclear confrontation creates more than any other international conflict an immanent threat to states' national security. In this connection I also would permit myself to disagree with S. Henke and express the assumption that, say, the nuclear forces of the United States in aggregate with the nuclear potential of the Soviet Union which confronts them create a tremendous danger to both Japan and West Europe and the two great powers themselves (although, naturally, it is not one's own arms or those of one's allies but the weapons of a potential enemy which are perceived as the paramount threat). But it is for this reason that we proclaim that all states have a common enemy—militarism—created by the aggregate efforts of both parties and requiring joint action for a lessening of the existing threat.

The military balance is just one sphere of states' mutual relations. The latter may improve or deteriorate in a very wide political range, even if the military sphere remains invariable. But, nonetheless, limits of this range exist and are determined, specifically, by the military confrontation. Contrary to the proposition of my German colleague, politicians cannot, despite all their desire to improve states' relations, on a long-term basis simply by an effort of will dematerialize these more than palpable factors. Soviet-Chinese relations, for example, have in recent years been palpably changing for the better, and this process will, we hope, develop. But has the element of military danger been eliminated from our mutual perception? For what reason, in that case, does China

keep its nuclear forces, for adornment? It is no accident that we are raising so insistently the question of lowering of the military confrontation of the two powers in their border area as far as its complete demilitarization and of the PRC's involvement at a particular stage in the nuclear disarmament process—is a most important aspect of an improvement in Soviet-Chinese relations in the long term.

The arguments of my opponent from the GDR concerning the relationship of the molding of new political thinking and the achievement of the INF Treaty are in no way contradictory to the opinions which I have expressed. He is hurling himself against an open door here, as they say. And the authoritative quotations which he adduces would seem in this case utterly superfluous: the arguments of S. Henke himself would have been perfectly sufficient—had they been convincing where it counts. Thus the fundamental nature of the restructuring of Soviet security philosophy as a prerequisite of the INF Treaty is not in doubt. But at the same time the new thinking would remain a set of fine phrases and hardly anyone would believe it to be serious were it not embodied in something specific. In this treaty included, with all its technical parameters, sublimits and most intricate system of verification, arms liquidation procedures and such.

I also agree that the threat of nuclear catastrophe is not the sole cause of the revision of our philosophy of security. True, the problem which S. Henke poses: how we will live after we have curbed the nuclear threat and how to prevent a return to an understanding of peaceful coexistence as a "specific form of class struggle" seems to me somewhat premature. It is like a seriously ill patient worrying whether he should go home by taxi or metro after he has been discharged from hospital. If, incidentally, the prerequisites determined by my colleague are accepted, his question presupposes a very simple answer: there would be no returning to an archaic understanding of the nature of peaceful coexistence after the nuclear danger has been curbed otherwise the nuclear danger would be revived once again.

S. Henke is right when he concludes that the "physicists" are only just embarking on the search for the "philosophers' stone" (although neither term is all that fortunate, perhaps). But some questions have already been perfectly resolved. In particular, I see nothing strange and original in the fact that "parity, as the approximate equality of the USSR and the United States in terms of the basic, most graphic indicators" and "the capacity under any conditions of nuclear attack to inflict on the aggressor a retaliatory strike of unacceptable damage" do in fact get along harmoniously in my article. Just as harmoniously as, say, a comparison of my salary with that of my respected German colleague at the official rate of exchange of the ruble to the Mark together with a comparison in terms of real purchasing power. The criterion of reasonable sufficiency, of course, is purchasing power, but the exchange rate correlation also plays a certain part, out of considerations of prestige, for example, or for negotiations (concerning the per diem allowance at the time of an exchange of visits, say).

The "strategic parity" concept should not be overburdened with a meaning not inherent in this term, for the expression of which its own wording exists. Parity is approximate equivalence or, at least, comparability in respect of some calculable parameters like, for example, the number of delivery systems or nuclear weapons. And an evaluation of the capacity (unilaterally or reciprocally) for a retaliatory strike implies an analysis of the stability of the correlation of forces with regard also for their qualitative characteristics: kill efficiency, flight time and survivability given a nuclear strike and also requires an analysis of the conditions (scenario) of the nuclear conflict and the level of unacceptable damage.

It is possible to have parity and even quantitative superiority, but insufficient forces for a retaliatory strike, and it is possible to have far fewer weapons than an enemy, but possess surplus potential for a retaliatory strike. Given the current superhigh quantitative levels of Soviet and American strategic forces even after a 50-percent reduction therein, the criteria of reasonable sufficiency will be dictated not so much by the requisite number of delivery systems and weapons as choice of measure in retaliation to the U.S. programs to replace the old arms with new ones.

In this sense the strategic stability of the nuclear balance of the USSR and the United States will depend to a considerable extent on the levels, sublimits and other limitations of the treaty on a 50-percent reduction in SOA. And, consequently—even though such an approach may seem too prosaic to some people—security also, a most important component of which is a strengthening of strategic stability at diminishing levels of the nuclear confrontation—will depend on these parameters. It would, of course, be an unforgivable oversimplification to maintain that stability and security amount merely to this. But after the desire to "jump back from the brink of the nuclear abyss" has been proclaimed and reiterated many times, recognition of the "imperatives of an interdependent world" has been declared and the priority of "interests which unite... over those which disunite" has been recognized, both politicians and scholars have to condescend to levels and sublimits of an arms reduction, the timetable and terms of the withdrawal of forces from Afghanistan and to a multitude of specific questions. Otherwise, new thinking in policy will remain elevated rhetoric, and in science, abstract and fruitless scholastics. Otherwise we will not in practice be jumping back from anything and will be establishing no new priorities.

Footnote

1. MEMO No 10, 1988, p 128.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

Book on NATO's Military-Economic Ties Reviewed

18160008m Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 3, Mar 89 pp 141-143

[L. Spiridonov review: "Time for New Assessments"]

[Text] Constancy is, perhaps, a virtue in private life, but by no means is it always so in respect of an evaluation of political and military problems. Life inevitably makes its adjustments, and, as history has shown repeatedly, a reluctance to rethink many phenomena and processes proves very costly. Now, I believe, is the very time when, taking the new political thinking and a more sober understanding of the problems and essence of security as the basis, we should be taking a new look at many ideas which have become clichéd.

From this viewpoint the book in question,¹ prepared by a group of authors of the USSR Academy of Sciences IMEMO, will be of considerable interest. We have in front of us a serious monographical study not only of military-economic relations themselves within NATO and outside but also the military and military-political factors which influence the relations of the countries of the alliance and their activity in the "nonbloc sphere".

I would like to mention the chapters devoted to the European NATO countries. In our view, the changes which have occurred in recent years under the impact of the integration processes, shifts in East-West relations and the change of emphases in U.S. global policy have been shown quite convincingly. An analysis of such changes in medium-sized and small countries is very complex, and how this has been done in the work is one of its definite successes. As far as the leading European states are concerned, it is necessary to emphasize here the diversity of approaches permitting the sufficiently full description of their role and place in the complex system of bloc preparations and the main changes in their military policy. Both the "national" which remains a specific feature of their military policy and that which is being increasingly clearly shaped under the influence of military integration are revealed consistently.

It has at the same time to be noted that against the background of the "European" chapters the section devoted to the United States is a serious loser. The objective difficulty of an evaluation of the United States' military-economic relations absolutely does not justify the traditional character ("duty nature" even, if you will) which distinguishes it here.

It is worth dwelling particularly on the work's first and final chapters. The chapter opening the monograph studies problems of the development of the NATO bloc. In our view, many new, very interesting approaches are revealed here. To begin if only with the fact that the author (A. Rassadin) provides a definition of military and military-economic integration which really reflects

the contradictory and complex processes of West European military development (p 23).

Also very important is the fact that an attempt, successful, moreover, has been made to analyze the mutual influence of the processes of European military integration and the evolution of NATO as a whole and the changing nature of the relations of the two regions of the North Atlantic alliance.

Specifically, the opinion concerning the relative "Europeanization" of the alliance and the nontraditional approach to an evaluation of two mutually contradictory, as it seemed earlier, processes—bloc and Eurocentrist development—attract attention. Speaking of the intensification of integration processes, the scholar emphasizes that they are being expressed with an equal degree of intensity both in traditionally bloc and regional "non-bloc" structures (pp 40-41).

The author rightly believes that a change in the nature of relations between the two regions of the bloc is inevitable for objective reasons, but that simultaneously it could be a question not of a weakening of the strategic alliance between the United States and West Europe but merely of a diminution in the role of the military component (pp 43-44).

The important conclusion that a consensus of the West European countries in the military sphere may be achieved only on a defensive basis is drawn (p 44). This is both a correct and very opportune point inasmuch as incorrect assessments of West European military integration and its goals and place in the general integration process are encountered quite often.

The final chapter of the work, which sums up, as it were, the whole study, examines problems of the globalization of the NATO countries' military and military-economic activity. Simultaneously it analyzes a number of important problems connected with the changes of a general nature which are taking place at the present time and which are particularly pertinent in the light of our country's new foreign policy course. Speaking, in particular, about the problems and prospects of the shaping of the aggregate military power of imperialism (AMP), the author (S. Blagovolin) points directly to the fact that a most important factor providing for centripetal tendencies within its framework are the references employed by the United States' ruling circles to the scale and structure of the Soviet armed forces testifying, in their assessments, to the "aggressive" nature of the USSR's military preparations (pp 221-222).

The part of the chapter which investigates three main components of the influence of the countries and their associations—economic, political and military—is of great influence. Considerable theoretical and practical significance is attached to the conclusion concerning the fact that the hypertrophied development of the military

component ultimately has an oppressive effect on the two others and undermines the positions of states and their associations (p 223).

A merit of the whole publication, and the final chapter particularly, is the extensive use of geostrategic and geopolitical assessments. This chapter defines the geopolitical position of regions, subregions and individual countries characterized as a "set of conditions connected with the geographical location of the region (country) and expressed in the system of political, economic and military relations and relationships and interdependencies with various parts of the outside world." The time has come, I believe, for us to make extensive use of the very term "geopolitics" and not be ashamed to apply geopolitical analysis, "purging" them, of course, of all that is unacceptable methodologically. It is worth also mentioning in this connection the following material theoretical proposition contained in the work: the stability of blocs and associations is the higher, the higher the degree of concurrence of the economic and political spheres of the cooperating states' interests (pp 223-224).

Also important is the conclusion that the countries which at the present time are oriented in the military sphere toward cooperation with the United States and NATO and are for this reason or the other components of the AMP are not aiming in the long term at the creation of their own aggressive (in relation to the USSR) potential (pp 228-229). This proposition is of direct practical significance also.

At the same time a general shortcoming of both the first and final chapters is the fact that a number of serious issues is raised in passing, in pater form, as it were. This detracts somewhat, of course, from the overall level of the analysis.

In our view, the authors' have not succeeded in due measure in determining the influence on the military-economic and military-political aspects of the functioning of NATO which will undoubtedly be exerted by West European integration, specifically, the process of the formation of a common regional economic complex. Attention should be concentrated on these problems in their subsequent studies.

The monograph lacks a sufficiently precise assessment of the degree of mutual influence of the United States and its partners within the framework of what is called "aggregate military power". For this reason one sometimes has the impression that the AMP represents some "rigid" structure, which does not correspond to reality.

Speaking of the work as a whole, however, mention should be made of the logical relationship of all its sections. Even the number of repetitions inevitable in such studies does not, in our opinion, go beyond reasonable limits. It is good that a considerable amount of

factual material is adduced in footnotes. Its novelty and "representativeness," incidentally, are of independent significance also.

Footnote

* "Voyenno-ekonomicheskiye svyazi stran NATO: tseli, mashtaby, formy realizatsii" [Military-Economic Relations of NATO Countries: Aims, Scale and Forms of Realization]. Doctor of Economic Sciences S.Ye. Blagovolin, scientific editor. Moscow, USSR Academy of Sciences IMEMO, 1988, 244pp.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

Book on Capitalist Military-Industrial Complex Reviewed

18160008n Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA in Russian
No 3, Mar 89 pp 143-145

[A. Shein review: "Military-Industrial Complexes Today"]

[Text] The new group work of scholars of the USSR Academy of Sciences IMEMO is devoted to an analysis of the formation, development and role of capitalist countries' military-industrial complexes. This work is favorably distinguished from other publications on similar subject matter by its comprehensive approach: it analyzes not only general problems of the development of such complexes (structure of the MIC, place in the system of state-monopoly capitalism, economic and social consequences of their functioning, role of military R&D) but also the particular features of the formation and evolution of the MIC in the main centers of world capitalism and their international activity.

The study's point of departure is revelation of the relationship of state-monopoly capitalism (SMC) and the development of the MIC and the important fact that the process of combination of the power of the monopolies and the power of the state is of a multilevel nature, incorporating the growth of relations between the machinery of state and the monopolies participating in arms manufacture. The latter is determined by the fact that in periods of war and militarization the bourgeois state, becoming the client for a tremendous amount of military products, actively intervenes in the nonmarket allocation of producer goods and manpower. At the same time, in the postwar period, under the conditions of developed state-monopoly capitalism, the prerequisites are created for a further growth of the militarization of the economy and the formation and development of MIC. This is connected with the concentration in the hands of the haute bourgeoisie of tremendous material resources as a result of the state takeover of an increasingly large part of national income through taxes collected chiefly from the working masses.

For this reason the monograph rightly emphasizes that in the 1970's-1980's "the process of combination of military business and the state authorities has been developing together with state-monopoly capitalism," and the MIC "are a particular militarist component in the structure of modern state-monopoly capitalism" (p. 7). The scholars show that the material base of the MIC is military production. At the same time it represents the totality of organizations and persons for whom militarism is economically and politically profitable.

At the same time, however, certain shades of opinion are observed on the question of the structure of the MIC. Thus the first chapter (A. Nikonov and R. Faramaryan) speaks of the two basic components of the MIC: the arms manufacturing monopolies and military ministries placing orders for the manufacture of arms and purchases thereof. Thus the partnership of military business and the military establishment is interpreted as the basis and nucleus of the MIC.

This assertion, which is based on a definition of the phenomenon in question, is correct. However, we cannot, I believe, confine ourselves to the incorporation in the MIC merely of monopolies directly manufacturing arms. In our opinion, the authors of chapter V (V. Glushkov, Ye. Khesin and V. Shenayev) are right to believe that construction, oil and transport corporations and firms supplying equipment, electric power and raw material and deriving big profits from the fulfillment of military ministry orders have also been pulled into the orbit of the West European countries' military-industrial complexes together with the military-industrial monopolies. The practice of the activity of the MIC shows a growth of the role of the banks and other credit institutions in the financing of military production. And this is taking place not only in West Europe but in the United States also. The profit rate of seven California banks headed by the Bank of America giant closely connected with the biggest arms manufacturers of the state of California has since the war been higher than the rate of profit of the country's biggest commercial banks.

The exclusion from the MIC of banks and other credit institutions closely connected with military business and an analysis of the activity of the military-industrial corporations in isolation from the activity of credit centers lead to a certain detachment of industrial from bank capital; finance capital and the financial oligarchy are outside of the field of vision. Emphasis of the alliance of the leaders of military-industrial corporations and the top brass of the military departments should not overshadow the personal union of the leaders of industrial, construction, transport and other companies and the directors of the most important banks and other credit institutions. It is known that historically and logically the merger of industrial and banking monopolies and the formation of finance capital preceded the emergence of state-monopoly capitalism and the formation of MIC. The close alliance of the monopolies, military-industrial included, with the state takes place under the conditions

of the merger of a few most important banks with the capital of monopoly alliances of industrialists which has already been accomplished. At a particular stage of development, under the conditions of a further increase in the level of concentration of capital and production, the merger of bank and industrial capital is supplemented by the merger of the power of the monopolies and the power of the state.

In the light of what has been said above the monopolies, which are described in the comprehensive characterization of the MIC in the CPSU Program, cannot be reduced merely to military-industrial monopolies. The MIC is an alliance with the state of all monopolies actively participating in the manufacture and sale of arms and the fulfillment of military orders and work for the military departments.

I believe that this conclusion is confirmed also in another important section of the monograph (S. Blagovolin), which studies the international aspect of the activity of the military-industrial complexes and the process of formation of the world military economy of capitalism. The emergence and formation of such an economy incorporates not only the immediate manufacture of arms but also the processes of their distribution, exchange and use. In this connection the subjects of the world military economy developing under the influence and as a consequence of the international activity of the MIC of the main sectors of capitalism are the monopolies closely linked with the fulfillment of military orders in the process of the manufacture, distribution and sale of arms (pp 244-245).

The growth of the MIC, as the development of SMC as a whole, reflects the objective process of an intensification of the state impact on the reproduction process. In guaranteeing military suppliers the sale of the lethal products which have been ordered and ensuring steady long-term demand the bourgeois state has a profound impact on the militarized sector of the economy. At the same time the authors of the monograph rightly observe that the intervention of the state cannot change and weaken the growing role of modern monopolies—the most profound economic basis of imperialism. State-monopoly regulation, in the field of military production included, cannot be fully understood without an all-around analysis of the impact of the major monopolies, transnational particularly, on all spheres of bourgeois society.

The practice of the conclusion of military contracts, the development of plans for new military construction and the pricing of military products take place with the active participation of monopoly capital. The determining role of the biggest military suppliers is manifested particularly clearly in realization of the "star wars" program. Back in the 1960's-1970's, long before it was announced by R. Reagan, American military corporations had begun to create space-based arms. The laboratories and design offices of the biggest military concerns of the

United States, Britain and other Western countries are developing new types of arms, which will subsequently be literally foisted on the military departments. Despite the fact, the authors correctly write, that formally the lead role in the advancement of specific demands on the tactical-technical and operating specifications of individual systems belongs to the government client—the consumer of the military product—such demands are actually elaborated with the most active and, in a number of cases, decisive participation even of the arms manufacturers (pp 65-67, 95-96). In the merger of the two main forces—the military monopolies and the state—the determining, predominant role remains the former's.

As already observed, the MIC are an alliance, a union of organizations and persons and the leaders of monopolies participating in the manufacture and sale of arms and the leaders of government institutions, primarily military departments. The role and activity of individual representatives of the MIC of West European countries is revealed in the monograph (pp 153-154). However, the analysis of the military-financial elite, American particularly, merits more attention, in our opinion. A special chapter should have been devoted to this: a knowledge of the specific representatives of aggressive circles and their activity and relations would have made it possible to comprehend in greater depth the social structure of this grouping of the ruling class and the political and economic interests of its individual parts and make a more objective exposure of the danger to the cause of peace of the policy of the military-financial elite.

The book raises a number of important and new problems, which are illustrated comprehensively. The section on the role, scale and structure of military R&D (B. Komzin), which reveals its profound negative impact expressed in a reduction in scientific research in the civilian sectors and a lessening of the role of basic research, is interesting. The growth of military R&D is determining new twists of the qualitative arms race spiral and complicating the conditions of the conclusion of international agreements in the field of disarmament and an easing of the threat of war.

The section on the singularities of the formation of an MIC in Japan (V. Leshke and I. Tselishchev), which on the one hand are connected with the defeat of Japanese militarism in WWII and, on the other, with the appearance as of the end of the 1940's even of trends toward the conversion of the country into a military-political ally of the United States, is noteworthy.

In connection with the concentration of military business and the creation here of transnational companies problems of military integration with all its contradictions have arisen and arms exports, particularly to the developing countries, where military production is being created and developing also, have increased sharply. All this is expanding the sphere of neocolonialism and

exerting a serious deforming influence on the economic and social development of the "third world".

The thorough analysis of bourgeois views combined with a positive study of the problems of development of the MIC in the work in question ensures the cogent, balanced and truly scientific nature of the criticism. This applies also to the objective evaluation of the views of the ideologists of the MIC, who portray themselves as representatives and defenders of the interests of all classes and strata involved in the sphere of military activity (p 135). Indeed, it is frequently difficult for servicemen and workers at military plants to differentiate between their immediate and fundamental social interests, which expanding militarism is putting in jeopardy.

Permeating the whole book is the idea of the need for a balanced approach to the question of the role and influence of the MIC and of the fact that both an underestimation and exaggeration of its impact on domestic and foreign policy are unacceptable. The authors of the monograph demonstrate convincingly that such complexes are a most important and dangerous aspect of the development of SMC, particularly when the foreign policy of the imperialist state is subordinated to the growth of military power for the purpose of gaining military superiority. However, there are in the world today powerful social forces which are capable of confronting the aggressive tendencies of imperialism and forcing the ruling circles of the capitalist powers to accede to certain steps in the direction of a limitation of the arms race. This means, as the work shows, that there is no automatism and fatality of a growth of the role of the MIC. It should be and can be limited.

The monograph in question is a serious political-economic study collating a large amount of original material—at will, I believe, be useful to all who are interested in the vitally important problems of war and peace. It may be recommended also for use as a useful study aid in courses in political economy and international relations in the VUZ's.

Footnote

* "Alyans mecha i biznesa" [Alliance of Sword and Business]. Executive editors O.N. Bykov, corresponding member of the USSR Academy of Sciences, and Ye.V. Bugrov, doctor of economic sciences. Moscow, "Mysl", 1988, 301pp.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1989

Book Making 'New Analysis' of TNC's Reviewed
18160008o Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYE OTNOSHENIYA in Russian
No 3, Mar 89 pp 146-148

[V. Zhelezova review: "The TNC: New Level of Analysis"]

[Text] The bibliography on various aspects of the activity of the TNC runs to dozens of publications. However, the appearance of the book in question does not simply add to those published previously. It is undoubtedly a question of a qualitatively new level of analysis of the transnationalization process. A whole number of particular features of the work, which is offered readers by scholars of the USSR Academy of Sciences IMEMO, testifies in support of this.

First of all, the authors address fundamental issues of a study of transnational business. This concerns, for example, the form of manifestation in its activity of the basic indications of imperialism, determination of the political-economic essence of international production and the degree of maturity which has been reached and the nature of state-monopoly processes under the conditions of the expansion of the TNC and transnational banks.

The positions on such issues offered in the book may be accepted or rejected, but their fundamental significance for the development of the theory of the transnationalization of production and capital and, in a broader sense, for the theory of present-day capitalism cannot be denied.

Not only transnational enterprise, which is in itself a highly ambiguous and dynamic subject of study, is in the authors' field of vision. No less important is the evaluation of the impact of international business on national and world economic, social and political processes. The work consistently examines a number of most important aspects of this problem: the TNC and government regulation of the economy and statehood as a whole; their role as political agents of the system of international relations and impact on the fate of the developing countries; the TNC and the growth of the political influence of military-industrial complexes, the TNC and the confrontation of labor and capital.

The subject of study itself is examined in constant motion, which is more dynamic, perhaps, than that which is typical of many other phenomena of the world capitalist economy. This approach to the TNC has enabled the group of authors to clearly determine its views on many contentious issues and at the same time give a boost to their new discussion based on in-depth scientific analysis.

We may cite as an example the nature of illustration of the subject of so-called "transnational state-monopoly capitalism" (its formation has been affirmed in recent years in a number of economic publications). We can understand the logic of the supporters of this concept,

considering the scale of internationalization of economic life of the transnationalization of capital and active state support for this process. However, the book in question points not only to the alliance of the TNC and the bourgeois state but also to the complexity of their relations ensuing not from individual "nation-corporation" conflicts but from a nonconcurrence of the aims, methods and spheres of these two subjects of the regulation of international management. A single mechanism blending the efforts of the monopolies and the state superstructure for the accomplishment of tasks common to them has yet to be formed. The theoretical interpretation of the specific situation provided here has made it possible to realistically evaluate the modern level of the development of state-monopoly capitalism and convincingly argue the conclusion that "no equivalent of national state-monopoly complexes is to be seen as yet at the international level" (p 83) and that some version of "transnational state-monopoly capitalism" has yet to take shape in the capitalist world inasmuch as the necessary components for its materialization have not properly matured.

While rightly believing that progress toward the regulation of international production as a whole as yet exists only in tendency (p 84), the authors at the same time call for continued study thereof, unfailingly proceeding from a specific analysis of the actual state of affairs at the time of the construction of theoretical generalizations.

"Time changes many assessments," the book observes in connection with the determination of the new role of the local bourgeoisie in the developing countries (p 17). It is hard to disagree with this. The more so in that there follows a most interesting analysis of social processes on the periphery of the capitalist economy. But the work also contains deviations from this important principle of study making the authors' concept far less convincing. The chapter, which is devoted to the relations of the TNC and the state, evaluates the strategy of international business, as already said, in its dynamics, with regard for the essential changes in time. The second aspect of this contradictory alliance, however—the state and its economic policy—is viewed more statically. The mention in passing of the ebbs and flows of the economic activity of the bourgeois state (p 76) is linked mainly with the general attitude of private capital toward state enterprise. Granted the clear propounding of the correct idea concerning the groundlessness of a "transnational alternative" to state-monopoly capitalism, the authors should evidently have paid attention also to the impulses of the evolution of the state's economic activity which require at certain stages a change in the scenario of state regulation of the economy, regardless of the aspirations of the TNC.

Neither would the counterpoise of "transnational alternative" to state takeover, by which is usually understood the state's direct intervention in ownership relations, state enterprise primarily, seem all that successful. However, the experience of the United States, for example,

shows that the powerful mechanism of government regulation may function even without the large-scale direct federal takeover of enterprises. At the same time, however, the development of economic processes precisely in this country confirms in full the concept upheld in the book concerning the lack of prospects of the "transnational alternative".

Changing realities and demanding fresh evaluations, the times are obviously calling for a new look at the TNC community also. The idea that far from all these corporations have achieved monopoly parameters, given a strict scientific approach to this concept, has to be supported. In our day it is obvious that "far from all TNC (even while monopolies "at home") have grown (or will grow) into international monopolies, although they are all characterized to this extent or the other by vestigial signs of imperialism permeating the actual nature of their activity" (pp 31-32).

But another aspect has remained overlooked: both those which have succeeded in rising to the level of international monopoly and those which in the course of competitive battles remain "simply" TNC, are very dissimilar in terms of interests and, consequently, in style of behavior, principles of organization and channels of influence on national and international economic and political processes. The authors paint a striking picture of the competition between TNC, leaving "out of the frame," however, the question of differentiation in their ranks in its present form.

The formulation of the question undertaken in the monograph concerning the modern character of financial groups is of independent scientific significance. This highest organizational form of finance capital has in the past two or three decades undergone appreciable changes, the evaluation of which by Soviet specialists has been ambivalent: there are differing and even contradictory viewpoints. Great attention is paid to this debatable problem in this case. It is noted that the traditional family groups "are receding in their classical form into the economic history of capitalism" (p 43), and at the same time new finance groups are as yet taking shape quite contradictorily. Such an important phenomenon as a broadening of the typology of the capital participating in mergers and amalgamations, which "is making more diverse the intrinsic component composition of finance capital, and with it, the financial oligarchy also," is distinguished (p 39).

The numerous modern channels of the interweaving of monopolies of various spheres constituting the foundation of the formation of finance groups on national soil and the search for paths of their sectoral diversification in individual countries are discussed. True, in respect of the U.S. experience mention is made only of American conglomerates. The monopolists have attempted by way of these to provide the finance groups with a broad and all-embracing "umbrella" over the economy (p 43). But, first, the conglomerates, granted the diversification of

their investments in the industrial, banking and other spheres, have never played the part of finance groups. And, second, the "umbrella effect" of these groups in the United States is achieved, as in some other countries, in other ways. The erosion of the former "empires" has been accompanied by the contradictory process of consolidation of monopoly alliances of a new type cemented not by family or regional ties of community but an interweaving of property and interests on a far broader basis. An important role is performed here by the division of control within individual corporations both on the basis of ownership and along the lines of many other relations, which remained outside of the authors' attention. These distinctive "supergroups" possess a mechanism of control not over individual sectors but over the entire national economy. The eastern and western centers of financial power in the United States, which are taking shape quite actively, may be attributed to them.

The book substantiates in detail the viewpoint that it is still too early to draw a conclusion concerning the existence of truly cosmopolitan (international) finance capital and a finance oligarchy corresponding thereto. Indeed, if we refer to the general structure of ownership and other most important methodological criteria of a definition of finance capital, we have to agree with the proposition that the interweaving and amalgamation of the TNC and TNB are occurring "on national soil, in the main, and have not yet acquired cosmopolitan dimensions" (p 41). The monograph adduces for the first time information on the spheres in which the interests of the TNC and TNB differ or are directly opposite. The strict methodological approach to the question has enabled the scholars to see behind the impressive scale of transnational transactions the level of socialization of economic life which has really been achieved. In addition, they express the assumption, of interest for further analysis, concerning the capacity of the private-monopoly outer casing to accommodate truly cosmopolitan vistas of socialization (p 45).

A distinguishing feature of the new work of the IMEMO scholars is a conceptual unity rare for our group publications. The text offered the readers bears the imprint of nonformal scientific editing. At the same time there is here a "unison" of opinions, rather, coordination of the authors' approaches, although it being a question of highly contentious problems, which has not been customary (in many publications of recent years).

It is sufficient to point to the nature of the exposition of the question of the essence of intra-corporate turnover and transfer prices within TNC. The differences in view among the three coauthors of the monograph are presented in a form which not only stimulates further study but is also a lesson in culture of debate.

The method of embodiment in the general concept and structure of the work of the scholarly group's main idea—the TNC operate currently simultaneously in two interconnected roles—is notable in the same respect.

The first consists of personification of the sharply intensified conflict between the gigantically increased productive forces and the moribund private-ownership production relations. New approaches, facts and arguments have definitely been found here. Although one is struck by the inadequacy of the theoretical level of analysis of this aspect of transnational business in certain sections. The TNC's second role is illustrated in the book for the first time. The question concerns the process of transnationalization as a tool and reserve of capitalism in the competition of the two systems. This direction of study undoubtedly opens a new chapter in national economic literature on present-day capitalism.

* "Imperii finansovykh magnatov (transnatsionalnyye korporatsii v ekonomike i politike imperializma)" [Empires of the Finance Magnates (Transnational Corporations in the Economy and Policy of Imperialism)]. Doctor of Economic Sciences I.D. Ivanov, executive editor. Moscow, "Mysl", 1988 213pp.

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Meetings, Conferences at World Economics Institute Chronicled

18160008q Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 3, Mar 89 pp 154-157

[Text] Members of a delegation of the Trilateral Commission in the Soviet Union at the invitation of the USSR Supreme Soviet Presidium visited the World Economics and International Relations Institute on 16 January. They included well-known politicians and public figures: former French President V. Giscard d'Estaing, former Japanese Prime Minister Y. Nakasone, former U.S. Secretary of State H. Kissinger, D. Rockefeller, chairman of the Trilateral Commission's North America Group, and G. Berthoin, chairman of the European Group.

We would remind the reader that this authoritative and influential international nongovernment organization,

which was created in October 1973 in Tokyo, sets as its goal the implementation of a variety of basic research and assessments and the development of coordinated approaches to the solution of manifold problems of the foreign, economic and social policy of the highly developed capitalist countries of three regions—West Europe, North America and Japan. It is primarily politicians, enterprise and firm and professional association executives, former diplomats, high-ranking officials, research workers and journalists of diverse political views and persuasions who participate in the commission (it has 330 members from 14 countries). At the present time the preparation of analytical reports on the subject "Future of East-West Relations" and also on problems of reform of the international currency-financial system is under way within its framework.

The meeting of the guests with leading scholars of the USSR Academy of Sciences IMEMO was opened by Academician Ye.M. Primakov, director of the institute. He warmly welcomed the delegation members and described the most important fields of activity and current tasks of the creative research group under the conditions of perestroika and the further elaboration and establishment of the new political thinking. The considerably increased role of scholarship and social science research in the light of the renewal processes occurring in the USSR was emphasized particularly. On behalf of the guests D. Rockefeller expressed gratitude for the invitation to visit the institute. He noted, in particular, that the results of this trip to Moscow would be used to better ascertain the position and views of the Soviet side on the prospects and possibilities of positive changes in East-West relations.

There was a lively discussion, in the course of which the participants in the meeting exchanged opinions on a number of topical, pressing issues. Thus Y. Nakasone commented highly on the significance and profundity of philosophical content of M.S. Gorbachev's well-known speech in the United Nations, which evoked, in his opinion, great interest in the broadest public and political circles. The following question was asked: does the proposition heard in this speech concerning the inalienable right of each country and its people to their own, independent choice of social development path mean that there will be no repetition of the situation of the "Hungary 1956" type and "Czechoslovakia 1968"? In response Ye.M. Primakov emphasized with all certainty that M.S. Gorbachev's statement reflected the basis of our new political line. The internationalist essence of the relationships of the socialist states is shedding the accretions of the past. These relations—the relations of friends—are being built today on principles which are becoming generally recognized rules in the international arena: sovereignty and independence, observance in full of equality and mutual respect for national interests.

V. Giscard d'Estaing, in particular, inquired as to how IMEMO specialists saw the optimum paths and particular features of the "transition period" of the upcoming deeper

integration of the Soviet economy in the world economy. The institute's viewpoint, Ye.M. Primakov said, is that it is not necessary to "preserve" the current model of international economic relations, what is acutely necessary here is a search for new approaches, means and instruments. Thus an important place is assigned in this connection gradual transition to convertibility of the ruble. True, together with objective difficulties of an internal and external nature artificial obstacles are arising on this path also—the West is opposed, for example, to the USSR's desire to participate in the GATT, even as an observer. V. Giscard d'Estaing expressed an understanding of the difficulties being encountered currently by the Soviet economy and commented approvingly on such intentions and plans of the USSR.

Joining in the discussion, H. Kissinger, in particular, stressed the domestic policy aspect of the solution of a difficult problem—regulation of pricing in the Soviet national economy. In turn, responding to a question of Doctor of Historical Sciences A.G. Arbatov, head of the Disarmament Department, concerning the degree of continuity of the new U.S. Administration's policy on questions of a strengthening of security and disarmament, he expressed the opinion that this degree would be considerable and that serious efforts would be made to conduct constructive negotiations with the USSR. Is it a correct impression, Doctor of Economic Sciences P.I. Khvoynik inquired, that the commission has become somewhat less active in recent years? No, D. Rockefeller declared, it remains very active, but there has been a clear decline in the interest of the press. The point being that reality has failed to confirm the two diametrically opposite original assessments of its initiatives: from the far right (particularly in the United States), that it wants to make a deal with communism; from the far left (in Europe), it is a kind of instrument of a world capitalist conspiracy....

Deputy directors of the USSR Academy of Sciences IMEMO V.A. Martynov, corresponding member of the USSR Academy of Sciences, O.N. Bykov, corresponding member of the USSR Academy of Sciences, and I.S. Korolev, doctor of economic sciences, and also Doctor of Economic Sciences Ye.V. Bugrov, head of the Military-Economic and Military-Political Studies Department, participated in the discussion, which was held in a relaxed, frank atmosphere.

"Soviet and American Approaches to Regional Conflicts in the 'Third World': Their Causes and Ways of Settling Them" was the subject of a joint Soviet-American meeting of specialists on these problems held in Pushchino (Moscow Oblast). It was organized by the International Peace Academy and the USSR Academy of Sciences IMEMO. The participants in the meeting included IMEMO representatives A.K. Kislov and N.A. Simoniya, deputy directors, and Department Head V.A. Babak, S.A. Mikoyan, chief editor of the journal LATINSKAYA AMERIKA, G.I. Chufurin, head of a department of the USSR Academy of Sciences Oriental Studies

Institute, T. (Vays), executive director of the International Peace Academy, M. Garrison, director of the Foreign Policy Research Center (Brown University), Sen D. Clark, C. Campbell, assistant director of Harvard's Center for International Relations, E. (Shouttl), director of the International Department of the Ford Foundation, and also representatives of a number of developing countries—G. Gonsalves, director of India's International Center, J. Jonah, assistant UN secretary general in the Information Collection and Analysis Office, Gen (I.Dzh. Riki), president of the International Peace Academy, C. Hernandez, director of the Center for Integration and Development (Philippines), and others.

The exchange of opinions was concentrated around three main subject areas: the present state of the involvement of the USSR and the United States in various conflicts in the "third world"; methods and means of ensuring peace in this zone; efforts which should be made in the future by the great powers to maintain peace here. It was indicative that, despite the proposition concerning the "equal responsibility" of both sides for the emergence and escalation of conflicts which was heard, the foreign participants in the meeting noted unanimously the great positive changes in the policy of the Soviet Union in connection with the new political thinking, their fruitful impact on the settlement of "small wars" in the long term and the importance of the successful development of the processes of perestroika and renovation in our country.

An interesting discussion developed around the concept set forth by Doctor of Historical Sciences A.K. Kislov of a "code of behavior" of the great powers in regional conflict situations, whose adoption, the majority of speakers believed, could serve the cause of their settlement by political means. It was noted, *inter alia*, that such "rules of the game" should not simply repeat the set of commitments enshrined in the UN Charter but also contain a renunciation of subversive actions in respect of one another and other parties to the conflict, measures aimed at preventing a surprise attack and joint struggle against international terrorism and a limitation of arms supplies to the belligerents. Great attention was paid to questions of the great powers' activity in the United Nations in this context and also to an improvement of the functions of this organization itself, which has recently achieved very positive results in reducing international tension. The leitmotiv of the discussion was the idea concerning the need for the development and strengthening of relations of trust, mutual understanding and constructive cooperation between the USSR and the United States, whose joint actions on a bilateral basis could include the exercise of a certain influence on their allies for the purpose of inducing them to cease hostile acts and reach intelligent compromise.

At the conclusion of the meeting the two cochairmen—A.K. Kislov and (I.Dzh. Riki)—signed a joint final document which reflected the conclusions on the issues which had been discussed and on which consensus was reached. It emphasized, in particular, that any attempt

by the USSR or the United States to expand their influence in the "third world" with the aid of the unilateral use of force was dangerous and that for lasting stability in the countries of this zone the formation of representative governments created on the basis of national reconciliation was essential. Soviet-American cooperation to support UN peacekeeping operations is essential. The document expressed satisfaction at the results of the present meeting and also the desire of both sides to continue the joint work. It was agreed to hold the next such meeting in the United States this fall.

Doctor of Civics Paavo Vayrinen, prominent politician and public figure of Finland, chairman of the Center Party and former foreign minister, visited the institute. He lectured research workers and journalists on the subject "The Paasikivi-Kekkonen Line Now and in the Future". Having offered those assembled a comprehensive analysis of the history of the formation and present features of the foreign policy course of the leadership of this country since the war, the guest emphasized the exceptional importance of the policy of strengthening relations of good-neighborliness, trust and all-around cooperation with the USSR, thanks to which Finland has acquired every opportunity for stable economic and political development on the paths of independence and neutrality. He supported an expansion and strengthening of all-around interaction between states of East and West and emphasized the great role of the policy of perestroika and new political thinking in the normalization and further improvement of the situation in Europe. He evaluated highly the content of M.S. Gorbachev's speech at the United Nations as a serious, sound platform contributing to the successful solution of the problems confronting world civilization.

Meetings and discussions were held between the leadership and leading specialists of the IMEMO and prominent British scholar and public figure Adm Sir James Eberle, director of the Royal Institute of International Affairs. He was briefed on the current fields of study and the important changes taking place under the conditions of the strengthening of perestroika and the renewal of society in the scientific activity of the staff of the USSR Academy of Sciences IMEMO. Speaking of the reaction being observed in the West currently to the new political thinking being established and developed by the Soviet Union, the guest noted, in particular, that it was assuming an increasingly positive nature. There were new, additional points of contact, a process of the establishment and expansion of contacts in the most diverse fields was under way and negotiating had become easier. An important place in the exchange of opinions was occupied by problems of a strengthening of security and cooperation in Europe, the modification of the opposed alliances' military policy and military-strategic doctrines and a reduction in armed forces and arms and its socioeconomic consequences. The admiral expressed satisfaction with and approval of the USSR's position in the sphere of a reduction in conventional arms. Questions of an improvement in relations between the two research organizations were discussed also.

J. Eberle delivered to staff of the institute a lecture devoted to the ways and prospects of realization of the program of the creation by 1992 of a single market within the European Community framework.

Representatives of the Japanese Society for Trade With the USSR and European Socialist Countries (SOTOBO)—M. Imanishi, its permanent director, and M. Ikeda, expert of the Soviet Department—visited the institute. In the course of the meeting the staff of the USSR Academy of Sciences IMEMO told the guests about the current directions of its work. It was emphasized that the institute was displaying great and growing interest in the expansion of scientific relations with the Land of the Rising Sun: a new Pacific Studies Department, in which problems of Japan are studied in two sections, is functioning actively; two permanent Soviet-Japanese symposia are operating, and a seminar on security problems will begin in the current year.

M. Imanishi, in turn, reported the nature and content of the activity of SOTOBO, which now has more than 160 members, including trading firms, enterprises, banks, insurance companies, industrial associations, shipping agencies and local self-management authorities. As of the present this is the country's sole organization contributing to the development of trade and business cooperation between Japanese enterprises and the European socialist states, including the USSR. The permanent director of SOTOBO described the purposes of his present trip to the Soviet Union, which included, inter alia, discussion of questions of the development of coastal trade between Japanese firms and areas of the Far East of our country and the financial problem of imports of Soviet timber. Questions connected with an exchange of information on the state and development of S&T progress in both countries, joint participation in symposia and conferences and an exchange of specialists for study and industrial training were discussed also. The leitmotiv of the discussion was the idea of the expediency of an expansion of cooperation and professional contacts between the USSR Academy of Sciences IMEMO and SOTOBO, public representatives and the peoples of the two neighbor states as a whole.

A group of American businessmen, public figures and scholars headed by M.L. (sic) Goldman, director of Harvard's Russian Research Center, visited the IMEMO. The guests displayed particular interest in questions of our country's economic and political development and ways and possible effective means of improving relations between the USSR and the United States. They were familiarized in detail with the history of the IMEMO, its structure and the most important assignments facing the workforce under current conditions, and mention was made of the important role which the institute performs in the development of the social sciences and study of world economic and political processes. In the course of the discussion members of the American delegation were given comprehensive answers to a number of questions concerning the present state

and prospects of the perestroika under way in the USSR and the possibilities of a solution of the food and housing problems, the employment of the population and degree of likelihood of unemployment emerging and also of women's participation in social and scientific activity and the running of the state. Leading IMEMO specialists headed by Prof A.V. Anikin, doctor of economic sciences, participated in the meeting on the Soviet side.

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